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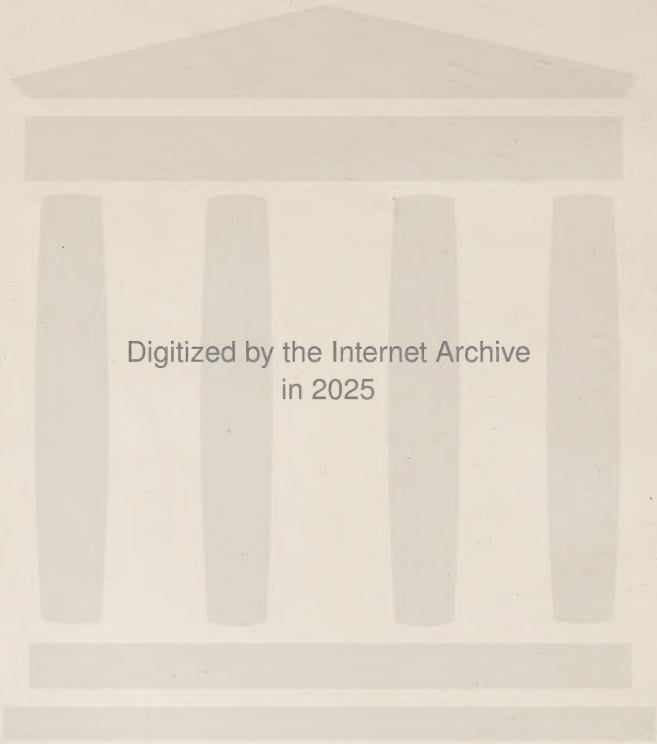
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DICTIONARY OF
INCOME TAX
AND SUPER-TAX
PRACTICE

INCORPORATING THE PROVISIONS OF THE CONSOLIDATION ACT OF 1918, THE FINANCE ACTS 1919 TO 1922

FOR THE USE OF PROFESSIONAL AND BUSINESS MEN, ACCOUNTANTS, HOUSEHOLDERS, ETC.

BY

W. E. SNELLING

Author of "Income Tax Law and Cases," "Excess Profits Duty," "Coal Mines Excess Payments," "Inhabited House Duty," etc., etc.

FIFTH EDITION

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PREFACE TO THE FIFTH EDITION

THIS new and revised edition incorporates the provisions of the Consolidation Act, 1918, and the Finance Acts up to and including 1922.

The Dictionary, which was much appreciated in the early editions, has been thoroughly revised and brought up to date and included in the present edition. The scheme of this part of the work is to set out the various points in index form so as to secure the lucidity and consecutiveness of a text-book as well as the advantages of an index.

Tables of Income Tax and Super-Tax are also included in this edition, and it is confidently hoped that they will be found of considerable value.

Although intended principally for the use of professional and business men, Inland Revenue officials will also, it is hoped, find their wants fully supplied.

W. E. S.

PREFACE TO FOURTH (INTERIM) EDITION

For some years the Income Tax laws have been in a state of unceasing change, and things will be worse before they are better. The Finance Act, 1920, incorporated sufficient of the reforms recommended by the Royal Commission to make necessary extensive alterations in any book on the Income Tax. Yet the main body of the recommendations awaits attention. Such attention is promised in an Income Tax Act to be passed in the Autumn, 1920, Session of Parliament—of course if time is found for its consideration. The amending Act must be very long (approaching the length of the consolidating Act of 1918), and highly contentious in many respects. Its passage in 1920 is possible but must not be reckoned on. Nevertheless, even when the Income Tax laws are settled once more, the *form* of the Statutes will be highly objectionable so that a re-consolidation will be inevitable.

In these circumstances it has appeared advantageous for an *interim* edition of *Income Tax Practice* to be issued. This *interim* edition represents Part I of the book, revised and amplified. The Dictionary of Income Tax, which formed Part II of previous editions, is omitted, pending the re-settlement of the Income Tax laws.

The present issue is in accordance with the Finance Act, 1920, and therefore incorporates the new scheme of graduation and differentiation.

Full tables of tax due from particular incomes are appended, and will perhaps be considered an important part of this edition.

W. E. S.

CONTENTS

PAGE

PREFACE TO FIFTH EDITION iii

PREFACE TO FOURTH (INTERIM) EDITION iv

TABLE OF CASES ix

TABLE OF STATUTES xxi

PART I

CHAPTER I

THE INCOME TAX ACT 1

CHAPTER II

THE BALANCE OF PROFIT (SCHEDULE D)

The Adjustment of Accounts for Income Tax purposes—Rules (*a*) to (*p*) where full accounts are kept; example (1) account and adjustment—Rules (*q*) to (*t*) where cash account only is kept; examples (2) and (3) accounts and adjustments—Rules (*u*) to (*z*) where no account is kept; example (4) 8

CHAPTER III

THE AVERAGE SYSTEM (PROFITS—SCHEDULE D, ETC.)

The Year of Assessment—Statutory Income—The Three Years' Average—Changes in Proprietorship—The Early Years of a Business—Example—List of Averages 19

CHAPTER IV

EXCEPTIONS TO AND MODIFICATIONS OF THE AVERAGE SYSTEM (PROFITS—SCHEDULE D)

The Taxpayer's Option—Adjustment of Assessment where a new Business has been set up—Adjustment of Assessment where a Loss has been incurred—where a Loss has been incurred in the Early Years of a Business (Double Adjustment)—Adjustment of Assessment where a Business has been Discontinued—Adjustment of Assessment in case of a Specific Cause of Loss 23

CHAPTER V

ALLOWANCES DUE AND AMOUNT PAYABLE

Statement of Aggregate Income—Earned Income Relief—Personal Allowance—Marriage Allowance—Allowances for Children and Dependent Relatives—Taxable Income—Rates of Tax—Non-Residents—Husband and Wife Claiming Relief separately . 38

PAGE

CHAPTER VI

LIFE ASSURANCE ALLOWANCE

How the Allowance is made—Rates—Rules for ascertaining admissible premiums—Assurances, etc., made after 22nd June, 1916—War Insurance Premiums 48

CHAPTER VII

DOMINION INCOME TAX RELIEF

Summary of Provisions of Finance Acts—Examples . . . 53

CHAPTER VIII

THE INSTALMENT SYSTEM AND QUARTERLY ASSESSMENTS

Persons entitled to be assessed quarterly—The Income Tax Year—Summary of Reliefs, Allowances and Rates—Repayments . 55

CHAPTER IX

HOW TO MAKE RETURNS ON FORMS 1 AND 11

(PROFITS—SCHEDULE D)

Form 11—Returns at different Addresses—Page 2 must be completed—What to Include and What Not to Include—Other Spaces for Claims—Life Insurance—Exemption, Abatement, or Earned Income Relief—Children—Firms' Returns—Employees—By Whom Returns should be Completed 60

CHAPTER X

SPECIMEN RETURNS AND ASSESSMENTS (PROFITS—SCHEDULE D)

Specimen No. 1, Return of a Single Trader—Nos. 2, 3, and 4, Returns of a Firm and Partners ; the Firm pays no Interest, etc.—Nos. 5, 6, 7, and 8, Returns of a Firm and Partners ; the Firm Pays Interest, etc., and has Taxed Income—No. 9, Return of a Company 67

CHAPTER XI

ASSESSMENTS ON PROPERTY (HOUSES AND LANDS)

Rules of Assessment—Examples—General Notes . . . 77

PAGE

CHAPTER XII

REPAYMENT CLAIMS

Time Limit—Repayments Authorised—The Production of Receipts, Vouchers, Certificates, etc.—Vouchers Not in the Claimant's Name—By Whom a Claim should be Made—Exemption—Abatement—Earned Income Relief—Life Insurance—Children—Wife and Dependent Relatives—Minors—Repairs, Maintenance, etc., of Cottages and Lands—Bank Interest—Loss, etc.—Foreign and Colonial Residents—Colonial Income Tax Relief—Half-yearly Claims 84

CHAPTER XIII

SUPER-TAX

Liability—Rates—Returns—Procedure—Rules for Specific Sources of Income—Specimen Return—Particulars Required—Undistributed Profits of Certain Companies—Income under Dispositions. 101

PART II

DICTIONARY OF INCOME TAX 109

INCOME TAX TABLES 513

SUPER-TAX TABLES 547

INDEX 565

TABLE OF CASES

ABBREVIATIONS

A.C. .....Law Reports, Appeal Cases.
Ch.D. .....Law Reports, Chancery Division.
Ex. .....Exchequer Reports.
Ex. D. .....Law Reports, Exchequer Division.
F. .....Fraser.
H. & N. ...Hurlstone & Norman.
I.R. .....Irish Reports.
J.P. .....Justice of the Peace.
L.J.K.B. or L.J.Q.B. "Law Journal" Reports, King's (or Queen's) Bench Division.
L.T. ....."Law Times" Reports.
Q.B.D. ....Law Reports, Queen's Bench Division.
R. .....Rettie.
S.C.....Sessions Cases, Scotland.
S.L.R. ....."Scottish Law Reporter."
T.C. .....Official Reports of Tax Cases.
T.L.R. ....."Times" Law Reports.
W.N. ....."Weekly Notes."
W.R. ....."Weekly Reporter."

Aberdeen Commissioners of Supply *v.* Russell, (1890), 2 T. C. 643; 27 S. L. R. 759, *p.* 183
Ackworth School *v.* Betts, (1915), 6 T. C. 642; 84 L. J. K. B. 2112, *p.* 399
Adam *v.* Maughan, (1889), 2 T. C. 541; 27 S. L. R. 64, *p.* 185
Addie & Sons, *In re*, (1875), 1, T. C. 1; 12 S. L. R. 274, *p.* 364
Agnew *v.* Ferguson, (1903), 40 S. L.R. 636; *p.* 375
Aikin *v.* MacDonald's Trustees, (1894), 3 T.C. 306, *p.* 266
Alexandria Water Co. *v.* Musgrave, (1883), 1 T.C., 521; 11 Q. B. D., 174; 52 L. J. Q. B., 349; 49, L. T., 287; 32, W.R., 146, *pp.* 193, 275
Alianza Co. *v.* Bell, (1906), 5 T. C. 60 and 172; A. C. 18; 22 T. L. R., 94, *pp.* 238, 240
Allan *v.* Hamilton Waterworks Commissioners, (1887), 2 T. C., 194; 24 S. L. R., 360, *p.* 184
American Thread Co. *v.* Joyce, (1913), 6 T. C. 1; 163 A. C. 29; T. L. R. 266, *p.* 426
Andrewes *v.* Inland Revenue, (1920), 7 T. C. 627, *p.* 474
Anglo-Continental Guano Works *v.* Bell, (1894), 3 T. C., 239; 70 L. T., 670, *p.* 320
Argyll, Duke of, *v.* Inland Revenue, (1913), 7 T. C., 225; 109 L. T., 893, *p.* 235
Arizona Copper Co. *v.* Smiles, (1891), 3 T. C., 149; 29 S. L. R., 134, *p.* 155
Armitage *v.* Moore, (1900), 4 T. C., 199; 2 Q. B., 363; 69 L. J. Q. B., 614; 82 L. T., 618, *pp.* 145, 188
Ashton Gas Co. *v.* Attorney-General, (1905), A. C., 10; 75 L. J. Ch., 1; 93 L. T., 676; *pp.* 224, 308, 360
Assets Co., Ltd. *v.* Forbes, (1897), 24 S. L. R., 486; 3 T. C. 542; *p.* 496
Attorney-General *v.* Lancashire and Yorkshire Railway, (1864), 10 L. T., 95; 33 L. J. Ex., 163, *pp.* 233, 444
Attorney-General *v.* London County Council, (1900), 4 T. C., 265; 2 Q. B., (1899), 226; 1 Q. B., (1900), 192; A. C., (1901), 26; 70 L. J. Q. B., 77; 83 L. T., 605; 49 W. R., 686, *pp.* 185, 321
Attorney-General *v.* London County Council, (1907), 5 T. C., 242; A. C., 131; 76 L. J. K. B., 454; 96 L.T., 481; 23 T. L. R., 390, *pp.* 185, 322
Attorney-General *v.* Scott, (1873), 1 T. C., 55; 28 L. T. (N. S.), 303, *pp.* 184, 244
Attorney-General *v.* Till, (1909), 5 T. C., 440; A. C., (1910), 50, *p.* 383

Bain *v.* Free Church of Scotland, (1897), 3 T. C., 537; 34 S. L. R., 351, *p.* 399

Barnes *v.* Kyffin, (1916), W. N. 166; 32 T. L. R. 381, *p.* 296
Beadel *v.* Pitt, (1865), 11 L. T., 592; *p.* 197
Beaumont *v.* Bowers, (1900), 4 T. C. 189; 2 Q. B. 204; 69 L. J. K. B. 600, *p.* 467
Bebb *v.* Bunny, (1854), 1 Jurist Reports, 203; *p.* 123
Bell *v.* Gribble, (1903), 4 T. C., 522; 1 K. B., 517; 72 L. J. K. B., 242; 88 L. T., 186; 51 W. R., 457; *p.* 467
Bell *v.* National Provincial Bank of England, Ltd., (1903), 5 T. C., 1; 1 K. B., 149; 73 L. J. K. B., 142; 90 L. T., 2; 52 W. R., 406, *pp.* 149, 464
Berry *v.* Farrow and Searcy, (1913), 30 T. L. R., 129; (1914) 1 K. B., 632, *p.* 134
Beynon & Co., Ltd. *v.* Ogg, 7 T. C., 125, *p.* 495
Birmingham, *In re* Corporation of, (1875), 1 T. C., 26, *pp.* 184, 244
Blake *v.* Imperial Brazilian Railway, (1884), 2 T. C., 58; 1 T. L. R., 68, *p.* 456
Blake *v.* Mayor of London, (1886), 2 T. C., 209; 18 Q. B. D., 437; 19 Q. B. D., 79; 56 L. J. Q. B., 424; *p.* 399
Blakiston *v.* Cooper, (1906), 5 T. C., 347; 1909, A. C., 104, *p.* 168
Blount *v.* Blount, (1916), 1 K. B., 230; 85 L. J. K. B., 230; 114 L. T., 176, *p.* 375
Board of Conservators of Severn Fishery Board *v.* O'May, (1919), 2 K. B., 484; 89 L. J. K. B., 9; 121 L. T., 371, *p.* 488
Bonner *v.* Basset Mines, Ltd., (1913), 6 T. C., 146; 108 L. T., 764, *p.* 365
Boschoek Proprietory Co., Ltd. *v.* Fuke, (1906), 1 Ch. 148; 94 L. T., 398; 75 L. J. Ch., 261, *p.* 219
Bowers *v.* Harding, (1891), 3 T. C., 22; 1 Q. B., 560; 60 L. J. Q. B., 474; 64 L. T., 201; 39 W. R., 553, *pp.* 242, 446, 452
Bowles *v.* Attorney-General, (1912), 1 Ch., 123; 81 L. J. Ch., 155, *p.* 105
Bowles *v.* Bank of England, (1912), 6 T. C., 136; 1 Ch., 57; 82 L. J. Ch., 124; 108 L. T., 95; 29 T. L. R., 42, *p.* 201
Boyd & Sons *v.* Havelock, (1918), S. C., 727; 7 T. C., 321; 55 S. L. R., 661, *p.* 380
Bray *v.* Brothers, (1897), 3 T. C., 550; 13 T. L. R., 325, *p.* 219
Brickwood & Co. *v.* Reynolds. (1898), 3 T. C., 600; 1 Q. B., 95; 67 L. J. Q. B., 26, *p.* 343
British India Steam Navigation Co. *v.* Leslie, (1900), 4 T. C., 257; 17 T. L. R., 104, *p.* 212
Brooke *v.* Inland Revenue, (1918), 87 L. J. K. B., 279; 7 T. C., 261, *p.* 472
Broughton and Plas Power Coal Co., Ltd. *v.* Kirkpatrick, (1884), 2 T. C., 69; 14 Q. B. D., 491; 54 L. J. Q. B., 268; 33 W. R., 278, *p.* 365
Brown *v.* Burt, (1911), 5 T. C., 667; 27 T. L. R., 363, *pp.* 424, 572
Brown *v.* National Provident Institution (1921), 149 L. T., 357, *pp.* 220, 441
Brown *v.* Watt, (1886), T. C., 143; 23 S. L. R., 403, *p.* 357
Bruce *v.* Burton, (1901), 4 T. C., 399; 85 L. T., 227, *p.* 298
Burnley Steamship Co. *v.* Aikin, (1894), 3 T. C., 275; 31 S. L. R., 803, *pp.* 210, 454

Cain *v.* Cain, *In re* Cain's Settlement, (1919), 2 Ch., 364; 121 L. T., 496; 88 L. J. Ch., 513, *p.* 198
Calcutta Jute Mills Co., Ltd. *v.* Nicholson, (1876), 1 T. C., 83; 1 Ex D., 437; 45 L. J. Ex., 821; 35 L. T., 275; 25 W. R., 71; *p.* 425
Caledonian Railway Co. *v.* Banks, (1880), 1 T. C., 487; 18 S. L. R., 85, *pp.* 210, 211
Caledonian Railway Co. *v.* Hassall, (1919), S. C. 557; 56 Sc. L. R., 506; 7 T. C., 440, *p.* 404
Californian Copper Syndicate *v* Harris, (1904), 5 T. C., 159; 6 F., 894; 41 S. L. R., 691, *pp.* 334, 377, 478, 493
Calvert *v.* Walker, (1899), 4 T. C., 79; 2 Q. B., 145; 68 L. J. Q. B., 761, *p.* 145
Campbell *v.* Inland Revenue, (1879), 1 T. C., 234; 17 S. L. R., 23, *pp.* 128, 257
Carlisle Golf Club *v.* Smith, (1913), 6 T. C., 198; 3 K. B., 75; 82

L. J. K. B., 837; 108 L. T., 785, *p.* 292
Cawse *v.* Lunatic Hospital, Nottingham, (1891), 3 T. C., 39; 1 Q. B., 585; 60 L. J. Q. B., 485; 65 L. T., 155; 39 W. R., 461, *p.* 139
Chadwick *v.* Pearl Life Insurance Co., (1905), 2 K. B., 507, *p.* 129
Charlton *v.* Commissioners of Inland Revenue, (1890), 27 S. L. R., 647, *p.* 170
Charterhouse School *v.* Lamarque, (1890), 2 T. C., 611; 25 Q. B. D., 121; 59 L. J. Q. B., 495; 62 L. T., 907; 38 W. R., 776, *p.* 399
City of Dublin Steam Packet Co., Ltd. *v.* O'Brien, (1912), 6 T. C., 101, *p.* 456
Clark (Mary) Home, Trustees of, *v.* Anderson, 5 T. C., 48; 2 K. B. 655, *p.* 121
Clayton *v.* Newcastle-under-Lyme Corporation, (1888), 2 T. C., 416, *p.* 204
Clerical, Medical and General Life Assurance Society *v.* Carter, (1889), 2 T. C., 437; 22 Q. B. D., 444; 58 L. J. Q. B., 224, *pp.* 313, 317, 329
College of Preceptors *v.* Jenkins, (1919), 121 L. T., 120; 35 T. L. R., 687; 7 T. C., 162; 89 L. J. B., 27, *pp.* 162, 165, 175, 319, 357
Colquhoun *v.* Brooks, (1889), 2 T. C., 490; 14 A. C., 493; 59 L. J. Q. B., 53; 59 L. T., 850; 38 W. R., 289, *pp.* 271, 457
Coltness Iron Co. *v.* Black, (1881), 1 T. C., 287; 6 A. C., 395; 51 L. J. Q. B., 626; 45 L. T., 145; 29 W. R., 717, *pp.* 237, 238, 244, 250, 364
Commissioners for Special Purposes *v.* Pemsel, (1891), 3 T. C., 53; A. C., 531; 61 L. J. Q. B., 265, *p.* 165
Commissioners of Inland Revenue *v.* Forrest, (1890), 3 T. C., 177; 14 A. C., 334; 60 L. J. Q. B., 281; 63 L. T., 36; 39 W. R., 33, *p.* 447
Cook *v* Knott, (1887), 2 T. C., 246; 4 T. L. R., 164, *pp.* 242, 498
Cooper, *In re*, (1912), 2 K. B., 550; 80 L. J. K. B., 990; 105 L. T., 273, *p.* 124
Cooper *v.* Cadwalader, (1904), 5 T.C., 101; 12 S. L. R., 449, *p.* 423
Cooper *v.* Cooper, (1917), W. N. 385; 119 L. T., 303, *pp.* 126, 422
Corcoran *v.* Judge, (1919), 2 I. R., 60; 7 T. C., 119, *p.* 436
Corke *v.* Fry, (1895), 3 T. C., 335; 32 S. L. R., 341, *p.* 416
Cowan *v.* Seymour, (1919), 7 T. C., 372; 89 L. J. K. B., 459; (1920) 1 K. B., 500; 122 L. T., 465; 64 S. J., 259; 36 T. L. R., 155, *pp.* 148, 351, 444
Cox *v.* Murray, *in re* M'Coy, (1919), 1 Ir. R. 358, *p.* 199
Crane *v.* Inland Revenue, (1919), 2 K. B., 616; 89 L. J. K. B., 12; 121 L. T., 387; W. N., 229; 35 T. L. R., 694; 7 T. C., 315, *p.* 472
Craven's Mortgage, *In re;* Davies *v.* Craven, (1907), 2 Ch. 448; 97 L. T., 475; W. N., 187, *pp.* 124, 324
Crawford *v.* Kelly, (1908, Irish Court), *p.* 198
Crawshay *v.* Crawshay; *re* Crawshay, (1915), 140 L. T. J., 132, *p.* 200
Crookston Bros. *v.* Furtado, (1910), 5 T. C., 602; 43 S. L. R., 134, *pp.* 118, 279, 281, 282
Cumming *v.* Bedborough, (1846), 15 Meeson's Reports, 438, *p.* 375
Cunard Steamship Co. *v.* Coulson, (1899), 4 T. C., 63; 1 Q. B., 865; 68 L. J. Q. B., 554, *pp.* 212, 454
Curtis *v.* Gould, (1913), 6 T. C., 293; 3 K. B., 84; 82 L. J. K. B., 802; 108 L. T., 779; 29 T. L. R., 469, *p.* 49
Curtis *v.* Old Monkland Conservative Association, (1906), 5 T.C., 189; A. C., 86; 7 F., 119; 75 L. J., 31; 94 L .T., 7; 43 S. L. R., 119, *pp.* 113, 172

Dalrymple *v.* Dalrymple, (1902), 39 S. L. R., 348, *pp.* 121, 197
Darngavil Coal Co., Ltd. *v.* Francis, (1913), 7 T. C., 1; 30 Sc. L. R., 427; *p.* 299
Davies *v.* Craven, *In re* Craven's Mortgage, (1907), 2 Ch., 448; 97 L. T., 475; W. N., 187, *pp.* 124, 324
De Beers Consolidated Mines, Ltd. *v.* Howe, (1906), 5 T. C., 198; A. C., 455; 75 L. J. K. B., 858; 95 L. T., 221, *p.* 424
Delage *v.* Nugget Polish Co., Ltd., (1905), 92 L. T., 682; 21 T. L. R., 454, *pp.* 126, 275

Denver Hotel Co., Ltd. *v.* Andrews, (1895), 3 T. C., 356; 11 T. L. R., 238; 43 W. R., 339, *p.* 425
Derby *v.* Aylmer, (1915), 6 T. C., 665; 3 K. B., 374; 84 L. J. K. B., 2160; 31 T. L. R., 528, *p.* 301
Dillon *v.* Corporation of Haverfordwest, (1891), 3 T. C., 31; 1 Q. B., 575; 60 L. J. Q. B., 477; 64 L. T., 202; 39 W. R., 478, *pp.* 183, 290
Doxat *v.* Doxat, *re* Doxat, (1920), *p.* 200
Drummond *v.* Collins, (1915), 6 T. C., 525; A. C., 1011; 84 L. J. K. B., 1690; 113 L. T., 665; 31 T. L. R., 482; 3 K. B., 583; 109 L. T., 631, *p.* 267
Dublin Corporation *v.* McAdam, (1887), 2 T. C., 387; L. R. Ireland, 20 Ex. D., 497, *p.* 184
Dumbarton Harbour Board *v.* Cox, (1918), 7 T. C., 147; 56 S. L. R., 122, *pp.* 214, 420

Edinburgh Life Assurance Co. *v.* Lord Advocate, (1910), 5 T. C., 472; A. C., 143; (1909), W. N., *p.* 322
Edinburgh Southern Cemetery Co. *v.* Kinmont, (1889), 2 T. C., 516; 17 R., 154; 27 S. L. R., 71, *pp.* 116, 158, 239
Egyptian Hotels, Ltd. *v.* Mitchell, (1915), 6 T. C., 542; C. A., (1914), 3 K. B., 118; 31 T. L. R., 546, *p.* 425
Equitable Life Assurance Society of United States *v.* Bishop, (1900), 4 T. C., 147; 1 Q. B., 177; 69 L. J. Q. B., 252; 81 L. T., 693; 48 W. R., 341, *pp.* 314, 490
English Crown Spelter Co., Ltd. *v.* Baker, (1908), 5 T. C., 327; 99 L. T., 353, *p.* 353
Erichsen *v.* Last, (1881), 1 T. C., 351; 4 T. C., 422; 8 Q. B. D., 414; 51 L. J. Q. B., 86; 45 L. T., 703; 30 W. R., 301, *p.* 281
Eyres *v.* Finnieston Engineering Co., Ltd., (1916), 7 T. C., 74, *p.* 219

Farmer *v.* Juridical Society of Edinburgh, (1914), 6 T. C., 467; 51 Sc L. R., 643, *p.* 448
Farmer *v.* Scottish North American Trust, Ltd., (1912), 5 T. C., 502; A. C. 118; 105 L. T., 833; 28 T. L. R., 142, *pp.* 143, 155
Farrell *v.* Sunderland Steamship Co., Ltd., (1903), 4 T. C., 605; 88 L.T., 741, *pp.* 379, 456
Farrer *v.* Loveless (1918), 2 ch. 1; 87 L. J. Ch. 461; 119 L. T., 24; 34 T. L. R. 356, *p.* 197
Ferguson (Alexander) & Co., Ltd. *v.* Aikin, (1898), 4 T. C., 36, *p.* 464
Ferguson *v.* Noble, (1919), S. C., 534; 7 T. C., 176, *p.* 171
Fitzgerald *v.* Inland Revenue, (1919), 121 L. T., 192; 2 K. B., 154, (1919), W. N., 129; 35 T. L. R., 459, *p.* 472
Forbes *v.* Scottish Provident Institution, (1895), 3 T. C., 443; 23 R., 322; 33 S. L. R., 228, *p.* 264
Fry *v.* Shiels' Trustees, (1914), 6 T. C., 583; S. C., 159, *p.* 229
Furtado *v.* Cardonald Feuing Co., Ltd., (1906), 44 S. L. R., 66, *p.* 396
Furtado *v.* City of London Brewery Co., Ltd., (1914), 1 K. B., 709; 83 L. J. K. B., 255; 110 L. T., 241; 6 T. C., 382, *p.* 459

Galashiels Provident Building Society *v.* Newlands, (1893), W. N., 107, *p.* 374
Garston, Overseers of, *v.* Carlisle, (1915), 3 K. B., 381; 84 L. J. K. B., 2016, *p.* 164
Gateshead, Mayor, etc., of, *v.* Lumsden, (1914), 77 J. P., 124; *p.* 124
General Hydraulic Power Co., Ltd., *v.* Hancock, (1914), 6 T. C., 445; 2 K. B., 21; 83 L. J. K. B., 906; 111 L. T., 251; 30 T. L. R., 203, *p.* 153
General Reversionary & Investments Co., Ltd., *v.* Hancock, (1918), 35 T. L. R., 11, *p.* 358
Gifford, Fox & Co. *v.* Overseers of Chard, (1886), 63 L. T., 249; *p.* 128
Gilbertson *v.* Fergusson, (1881), 1 T. C., 501; 7 Q. B. D., 562; 46 L. T., 10, *pp.* 261, 270
Gillatt and Watts *v.* Colquhoun, (1884), 2 T. C., 76; 33 W. R., 258, *pp.* 117, 153, 237, 241, 390

Glasgow Corporation Gas Commissioners, *In re*, (1876), 1 T. C., 122, *pp.* 183, 290
Glasgow Corporation Water Commissioners, *In re*, (1875), 1 T. C., 28 ; 2 T. C., 131 ; 12 S. L. R., 466, *p.* 184
Gleadow *v.* Leathem, (1883), 48 L. T., 264 ; 52 L. J. Ch., 102, *p.* 197
Glensloy (*ss.*) *v.* Lethem, 6 T. C. 453 ; 51 Sc. L. R., 471, *p.* 140
Goslings and Sharpe *v.* Blake, (1889), 2 T. C., 450 ; 23 Q. B. D., 324 ; 58 L. J. Q. B., 446 ; 37 W. R., 774, *pp.* 123, 124
Governors of Rotunda Hospital, Dublin *v.* Coman, (1920), 89 L. J. P. C. ; 64 S. J., 548 ; 7 T. C., 517 ; 36 T. L. R., 646 ; 123 L. T., 529, *p.* 165
Graham *v.* Seal, (1919), 88 L. J. Ch., 31 ; 119 L. T., 526, *p.* 200.
Grahamston Iron Co. *v.* Crawford, (1915), 6 T. C., 25 ; 52 Sc. L. R., 385, *p.* 485
Grainger & Son *v.* Gough, (1896), 3 T. C., 311 and 462 ; A. C., 325 ; 65 L. J. Q. B., 410 ; 74 L. T., 435 ; 44 W. R., 561, *pp.* 118, 278, 280, 281, 283
Granite Supply Association *v.* Kitton, (1905), 5 T. C., 168 ; 43 S. L. R., 65 ; 8 F. 55, *pp.* 243, 358, 411
Gresham Life Assurance Society *v.* Attorney-General, (1916), 7 T. C., 36 ; 1 Ch., 228, *p.* 137
Gresham Life Assurance Society *v.* Bishop, (1902), 4 T. C., 464 ; A. C., 287 ; 71 L. J. K. B., 618 ; 86 L. T., 693 ; 50 W.R., 593, *p.* 265
Gresham Life Assurance Society *v.* Styles, (1892), 2 T. C., 633 ; 3 T. C., 185 ; A. C., 309 ; 62 L. J. Q. B., 41 ; 67 L. T., 479 ; 41 W. R., 270, *p.* 314
Grimes *v.* Lethem, (1898), 3 T. C., 622, *p.* 357
Grove *v.* Elliots and Parkinson, (1896), 3 T. C., 481, *p.* 425
Guest, Keen and Nettlefolds, Ltd. *v.* Fowler, (1910), 5 T. C., 511 ; 1 K. B., 713 ; 79 L. J. K. B., 563 ; 26 T. L. R., 337, *p.* 485
Gundry *v.* Durham, (1915), 7 T. C., 12 ; 32 T. L. R., 181, *p.* 437
Hancock *v.* General Reversionary & Investment Co., Ltd., (1919), 88 L. J. K. B., 248; 119 L. T., 737; 35 T. L. R., 11, *pp.* 294, 322, 358
Hancock *v.* Gillard, (1907), 1 K. B., 47 ; 76 L. J. K. B., 20 ; 95 L. T., 680, *p.* 341
Harris *v.* Corporation of Irvine, (1900), 4 T. C., 221 ; 37 S. L. R., 799, *pp.* 184, 456
Hatch *v.* Hatch, (1919), 88 L. J. Ch., 147; 120 L. T., 694, (1919); W. N., 58 ; 63 S. J., 389 ; *p.* 375
Herbert *v.* McQuade, (1902), 4 T. C., 489 ; 2 K. B., 631 ; 71 L. J. K. B., 884 ; 87 L. T., 349, *p.* 169
Hesketh *v.* Bray, (1888), 2 T. C., 380 ; 21 Q. B. D., 444 ; 57 L. J. Q. B., 633 ; 37 W. R., 22, *p.* 230
Highland Railway Co. *v.* Balderston, (1889), 2 T. C., 485 ; 26 S. L. R., 657, *p.* 307
Hill *v.* Gregory, (1912), 6 T. C., 39 ; 2 K. B., 61 ; 81 L. J. K. B., 730 ; 106 L.T., 603, *p.* 365
Hill *v.* Kirshenstein, (1920), 36 T. L. R., 716, *p.* 375
Holborn Viaduct Land Co., Ltd. *v.* Regina, (1887), 2 T. C., 228, *p.* 297
Hood & Co., Ltd. *v.* Magee, (1918), 2 Ir. R., 34 ; 7 T. C., 327, *p.* 425
Howe *v.* Special Commissioners, of Income Tax, (1918); 7 T. C., 289; 2 K. B., 584 ; 34 T. L. R., 573 ; 119 L. T., 580, *p.* 471
Hudson *v.* Gribble, (1903), 4 T. C., 522 ; 1 K. B., 517 ; 72 L. J. K. B., 242 ; 88 L. T., 186, *p.* 467
Hudson Bay Co., Ltd. *v.* Stevens, (1909), 5 T. C., 424 ; 25 T. L. R., 709, *pp.* 492, 494
Hudson Bay Co., Ltd. *v.* Thew, (1919), 2 K. B., 632 ; 121 L. T., 385 ; 89 L. J. K. B., 1215 ; 36 T. L. R., 683 ; 7 T. C., 206, *pp.* 273, 324
Humber Conservancy Board *v.* Bater, (1914), 6 T. C., 555 ; 3 K. B., 449, *p.* 180
Humphrey *v.* Peare, (1913), 6 T. C., 201, *p.* 177
Hunter *v.* Attorney-General, (1904), 5 T. C., 13 ; A. C., 161 ; 73 L. J. K. B., 381 ; 90 L. T., 325, *p.* 50

Hutchins *v.* Chambers, (1758), 1 Burr. 579 ; 2 Ld. Ken. 204, *p.* 222
Huxley, *ex parte*, (1916), 7 T. C., 49 ; 1 K. B., 788, *p.* 368

Indian & General Investment Trust, Ltd. *v.* Borax, Ltd., (1919), 36 T. L. R., 125, *p.* 276
Inland Revenue *v.* Blott, (1919), W. N., 228; 35 T. L. R., 687, *p.* 472
Inland Revenue *v.* Greenwood, (1919), W. N., 228; 35 T. L. R., 687, *p.* 472
Inland Revenue *v.* Sanderson, (1920), *p.* 473
In re Munster, (1919), *p.* 469

Jardine *v.* Gillespie, (1906), 5 T. C., 263 ; 44 S. L. R., 136 ; 14 T. L. R., 556, *p.* 170
Johnson *v.* Chestergate Hat Manufacturing Co., Ltd., (1915), 2 Ch., 338 ; W. N., 277, *p.* 359
Jones *v.* Inland Revenue, (1919), 7 T. C., 310 ; 121 L. T., 611, *pp.* 381, 395
Jones *v.* The Cwmmorthin Slate Co., (1879), 1 T. C., 267 ; 5 Ex. D., 93 ; 49 L. J., Ex., 210 ; 41 L. T., 575 28 W. R., 237, *p.* 401
Juson *v.* Dixon, (1813), 1 M. & S., 601, *pp.* 222, 223

Kauri Timber Co., Ltd. *v.* Commissioner of Taxes, (New Zealand), (Privy Council, 1913), *p.* 481
Keir *v.* Gillespie, (1920), 7 T. C., 473 ; 57 S. L. R., 73 ; (1920), S. C., 67, *p.* 435
Kensington Income Tax Commissioners *v.* Aramayo, (1915), 6 T. C., 279 and 613 ; 1 A. C., 215 ; 84 L. J. K. B., 2169 ; 31 T. L. R., 606, *p.* 136
King *v.* Brixton Income Tax Commissioners, (1913), 29 T. L. R., 712; 6 T. C., 195, *p.* 131
King *v.* Commissioners for Newmarket Div. of Suffolk and Copthorne Div. of Surrey (*ex parte* Huxley), (1916), 7 T. C., 49 ; 1 K. B., 788, *p.* 368
King *v.* Commissioners for St. Giles and St. George (*ex parte* Hooper), (1915), 7 T. C., 59 ; 3 K. B., 768, *p.* 137, 368
King *v.* Kensington Income Tax Commissioners, (1914), 3 K. B., 870, *pp.* 116, 135
King *v.* Special Commissioners, *ex parte* Essex Hall, (1911), 104 L. T. R., 764 ; 2 K. B., 434 ; 5 T. C., 636, *pp.* 162, 175
King *v.* Special Commissioners, *ex parte* University College of N. Wales, (1909), 5 T. C., 408 ; 24 T. L. R., 491 ; 100 L. T., 585, *pp.* 165, 503
Kodak Ltd. *v.* Clark, (1903), 4 T. C., 549 ; 1 K. B., 505 ; 72 L. J. K. B., 369 ; 88 L. T., 155 ; 51 W. R., 459, *p.* 426

Laing *v.* Overseers of Bishopswearmouth, (1878), 3 Q. B. D., 299 ; 37 L. T., 781, *p.* 128
Lamb *v.* Brewster, (1879), 4 Q. B. D., 607 ; 40 L. T., 537, *p.* 197
Langston *v.* Glasson, (1891), 3 T. C., 46 ; 1 Q. B., 567 ; 60 L. J. Q. B., 356 ; 65 L. T., 159 ; 39 W. R., 476, *pp.* 175, 357
Lanston Monotype Corporation *v.* Anderson, (1911), 5 T. C., 675 ; 2 K. B., 1019, *p.* 380
Last *v.* London Assurance Corporation, (1885), 2 T. C., 100 ; 10 A. C., 438 ; 55 L. J. Q. B., 92 ; 53 L. T., 634 ; 34 W. R., 233, *pp.* 313, 314
Laycock *v.* Inland Revenue, (1919), 1 Ch., 241 ; 88 L. J. Ch., 128 ; 120 L. T., 473 ; 635 J., 302, *p.* 189
Leeds Permanent Benefit Building Society *v.* Mallandaine, (1897), 3 T. C., 577 ; 2 Q. B., 402 ; 76 L.T., 650 ; 66 L. J. Q. B., 813, *pp.* 123, 152, 193, 318
Leith, Hull and Hamburg Steam Packet Co. *v.* Bain, (1897), 3 T. C., 560, *p.* 212
Leith, Hull and Hamburg Steam Packet Co. *v.* Musgrave, (1899), 4 T. C., 80 ; 36 S. L. R., 745 ; 1 F., 1117, *pp.* 212, 454
Linen and Woollen Drapers' Institution *v.* Inland Revenue, (1887), 2 T. C., 651 ; 58 L. T., 949, *p.* 165
Liverpool and London and Globe Insurance Co., Ltd. *v.* Bennett, (1913), 6 T. C., 327 ; A. C., 610 ; 82 L. J. K. B., 1221 ; 109 L. T., 483 ; 29 T. L. R., 757, *pp.* 265, 313

Lloyd *v.* Sulley, (1884), 2 T. C., 37; 21 S. L. R., 482; 11 R., 687, *pp.* 422, 423
Lochgelly Iron Co., Ltd. *v.* Crawford, (1913), 6 T. C., 267; 50 Sc. L. R., 597, *p.* 485
London Bank of Mexico *v.* Apthorpe, (1891), 3 T. C., 143; 2 Q. B., 378; 60 L. J. Q. B., 653; 39 W. R., 564, *p.* 425
London Cemetery Co. *v.* Barnes, (1917), 7 T. C., 93; 2 K. B., 496; W. N., 186, *pp.* 159, 189, 239
London County Council *v.* Edwards, (1909), 5 T. C., 383; 25 T. L. R., 319, *p.* 210
Lord Advocate *v.* Gibb, (1906), 5 T. C., 194; 43 S. L. R., 674, *p.* 118
Lord Advocate *v.* Magistrates of Edinburgh, (1905), 42 S. L. R., 691, *p.* 196
Lothian *v.* Macrae, (1884), 2 T. C., 65; 22 S. L. R., 219; 12 R., 336, *p.* 170
Lovat *v.* Leeds, (1862), 31 L. J. Ch., 503; 6 L. T., 307, *p.* 196

Macpherson *v.* Moore, (1912), 6 T. C., 107; 49 S. L. R., 979, *pp.* 281, 282
Malcolm *v.* Lockhart, (1919), 7 T. C., 99; 88 L. J. (P.C.), 46; 120 L. T., 449; 35 T. L. R., 231, *p.* 248
Manchester, Lord Mayor, &c., of *v.* James Sugden, (1903), 4 T. C., 595; 2 K. B., 171; 72 L. J. K. B., 746; 88 L. T., 679; 51 W. R., 627, *p.* 299
Manchester, (Mayor of) *v.* McAdam, (1896), 3 T. C., 325 and 491; A. C., 500; 65 L. J. Q. B., 672; 75 L. T., 229, *pp.* 336, 352
Mayhew *v.* Halton, *re* Morris, (1920), 65 S. J., 95; 37 T. L. R., 46, *p.* 324
McDougall *v.* Sutherland, (1894), 3 T. C., 261; 31 S. L. R., 630, *p.* 416
McGregor *v.* Clamp & Son (1913), 30 T. L. R., 128, *p.* 221
McKenna *v.* Herlihy, (1920), 7 T. C., 621, *p.* 295
Meek *v.* Port of London Auth., (1918), 2 Ch. 96; 87 L. J. Ch., 376; 119 L. T. 196; 34 T. L. R., 420, *p.* 429
Meeking *v.* Inland Revenue, (1920), 7 T. C., 603, *p.* 474
Middlesbrough, Redcar, &c., Building Society, *In re; ex parte* Wythes, (1905), 53 L. T., 492, *p.* 374
Middleton, *In re*, (1876), 1 T. C., 109; 13 S. L. R., 378, *pp.* 436, 512
Miller *v.* Glasgow Corporation Water Commissioners, (1886), 2 T. C., 131; 23 S. L. R., 285, *p.* 184
Mitchell *v.* Egyptian Hotels, Ltd., (1915), A. C., 1022; 84 L. J. K. B., 1772; 31 T. L. R., 546, *p.* 425
Moore & Co. *v.* Hare, (1914), 6 T. C., 572; S. C., 91, *p.* 378
Moore *v.* Stewarts & Lloyds, (1906), 6 T. C., 501; 43 S. L. R., 811, *pp.* 176, 178
Morant *v.* Wheal Grenville Mining Co., (1894), 3 T. C., 298; 71 L. T., (N. S.), 758, *p.* 364
Mostyn (Lord) *v.* London, (1895), 3 T. C., 294; 1 Q. B., 170, *p.* 251
Mullingar Rural District Council *v.* Rowles, (1912), 6 T. C. 85; 2 I. R., 44, *p.* 184
Murdoch's Trustees *v.* Murdoch, (1918), S. C., 738; 55 Sc. L. R., 664, *p.* 199
Musgrave *v.* Magistrates and Town Council of Dundee, (1897), 3 T. C., 552; 34 S. L. R., 702, *p.* 336
Mylam *v.* Market Harborough Advertiser Co., Ltd., (1905), 5 T. C., 95; 1 K. B., 708; 74 L. J. K. B., 205; 92 L. T., 94; 53 W. R., 478; 21 T. L. R., 201, *p.* 113

National Bank of Wales Ltd., *In re*, (1898), 2 Ch., 629, *p.* 323
Needham *v.* Bowers, (1888), 2 T. C., 360; 21 Q. B. D., 437; 37 W. R., 125, *p.* 139
Nizam's State Railway *v.* Wyatt, (1890), 2 T. C., 584; 24 Q. B. D., 548; 59 L. J. Q. B., 430; 62 L. T., 765, *p.* 129
Norfolk (Duke of) *v.* Lamarque, (1890), 2 T. C., 579; 24 Q. B. D., 485; 59 L. J. Q. B., 119; 62 L. T., 153; 38 W. R., 382, *p.* 360
North British & Mercantile Insurance Co. *v.* Easson, (1919), 7 T. C., 463, *p.* 316
North London and General Property Co. *v.* Moy, Ltd., (1917), W. N., 217, *p.* 296, 410
Northern Assurance Co. *v.* Russell, (1889), 2 T. C., 571; 26 S. L. R., 330, *pp.* 329, 492

Norwich Union Fire Insurance Co. *v.* Magee, (1896), 3 T. C., 457; 73 L. T., 733; 44 W. R., 384, *pp.* 182, 313

Ogilvie *v.* Kitton, (1908), 5 T. C., 338; 10 F., 1003, *p.* 261
Ogston *v.* National Provident Institution, (1921), 149 L. T., 357, *pp.* 220, 441
Oldham *v.* Crosse, *re* Crosse, (1919), 149 L. T., 23, *p.* 200
Oswald *v.* Kirkcaldy Magistrates, (1919), S. C., 147; 56 Sc. L. R., 97, *p.* 198
Ounsworth *v.* Vickers, Ltd., (1915), 6 T. C., 671; 3 K. B., 267; 84 L. J. K. B., 2036; 31 T. L. R., 530, *p.* 453

Paisley Cemetery Co. *v.* Reith, (1898), 4 T. C., 1; 35 S. L. R., 947, *pp.* 159, 183, 239
Partridge *v.* Mallandaine, (1886), 2 T. C., 179; 18 Q. B. D., 276; 56 L. J. Q. B., 251; 56 L. T., 203; 35 W. R., 276, *p.* 146
Peninsular and Oriental Steam Navigation Co. *v.* Leslie, (1900), 4 T. C., 177; 79 L. T., 118; 82 L. T., 137, *p.* 212
Perse's Estate, *In re*, *p.* 198
Pickles *v.* Foster, (1912), 6 T. C., 131; 1 K. B., 174; 82 L. J. K. B., 121; 108 L. T., 106; 29 T. L. R., 112, *pp.* 114, 218, 219, 232, 444, 446
Pole-Carew *v.* Craddock, (1920), 7 T. C., 488; 89 L. J. K. B., 507; (1920), 3 K. B., 109; 123 L. T., 309; 36 T. L. R., 447, *p.* 250
Pool *v.* Royal Exchange Assurance, (1919), 88 L. J. K. B., 757; 121 L. T., 108, (1919); W. N., 126; 35 T. L. R., 445; 63 S. J., 496, *p.* 269
Poynting *v.* Faulkner, (1905), 5 T. C., 145; 21 T. L. R., 428 and 560; 93 L. T., 367, *p.* 169
Pratt *v.* Gamble, (1917), 2 Ch. 401; 86 L. J. Ch. 749; 117 L. T. 545, *p.* 199
Pretoria Pietersburg Railway Co. *v.* Elwood, (1908), 6 T. C., 508; 98 L. T., 741, *p.* 323
Provident Mutual Life Association *v.* Ogston, (1919), W. N., 230; 35 T. L. R., *pp.* 220, 441

Purdie *v.* The King, (1914), 3 K. B., 112; 83 L. J. K. B., 1182; 111 L. T., 531; 30 T. L. R., 553, *p.* 305

Quarter Sessions of Glamorgan *v.* Wilson, (1910), 5 T. C., 537, 1 K. B., 725, *p.* 183

Rand *v.* The Alberni Land Co., Ltd., (1920), 7 T. C., 629, *p.* 494
Rattray *v.* Sturmey Motors, Ltd., (1913), 1 Ch., 16; 107 L. T., 523, *p.* 375
Regina *v.* Special Commissioners, (Cape Copper Mining Co., Ltd.), (1888), 2 T. C., 347; 59 L. T., 455; 21 Q. B. D., 313, *pp.* 25, 86
Regina *v.* Special Commissioners of Income Tax, *In re* G. Fletcher, (1893), 3 T. C., 289, *p.* 116
Reid's Brewery Co., Ltd. *v.* Male, (1891), 3 T. C., 279; 2 Q. B. D., 1; 60 L. J. Q. B., 340; 64 L. T., 294; 39 W. R., 459, *pp.* 343, 353, 369
Revell *v.* Directors of Elworthy & Co., Ltd., (1890), 3 T. C., 12, *pp.* 219, 242, 498
Revell *v.* Edinburgh Life Insurance Company, (1906), 5 T. C., 221, *pp.* 31, 313, 318
Revell *v.* Scott, (1895), 3 T. C., 403; 32 S. L. R., 585, *pp.* 244, 436
Rex *v.* Commissioners for Offlow, (1911), 27 T. L. R., 353, *p.* 131
Rex *v.* Commissioners for Special Purposes *ex parte* Dr. Barnardo's Homes, (1921), 2 A. C., 1; 7 T. C., 646, *pp.* 192, 458
Rex *v.* Commissioners of Inland Revenue, *ex parte* Rank's Trustees, (1922), *p.* 163
Rickett *v.* Rickett (*In re* Sharpe), (1906), 1 Ch. 793; 95 L. T., 522, *p.* 375
Rhymney Iron Co. *v.* Fowler, (1896), 3 T. C., 476; 2 Q. B., 79; 65 L. J. Q. B., 524; 44 W. R., 651, *pp.* 179, 309, 484
Rogers *v.* Inland Revenue, (1879), 1 T. C., 225; 16 S. L. R., 682; 6 R., 1109, *pp.* 362, 422
Rover *v.* S. African Breweries, (1918), 2 Ch. 233; 87 L. J. Ch. 516; 34 T. L. R, 478; 119 L. T. 481, *p.* 226

Royal College of Surgeons of England *v.* Commissioners of Inland Revenue, (1899), 4 T. C., 344; 1 Q. B., 871; 68 L. J. Q. B., 613, *p.* 447
Royal Insurance Co. *v.* Watson, (1897), 3 T. C., 500; A. C., 1; 66 L. J. Q. B., 1; 75 L. T., 334, *pp.* 191, 243
Russell *v.* Aberdeen Town and County Bank, (1888), 2 T. C., 321; 13 A. C., 418, *p.* 232
Ryhope Coal Co. *v.* Foyer, (1881), 1 T. C., 343; 7 Q. B. D., 485, *pp.* 217, 364, 458, 464

St. Andrew's Hospital, Northampton *v.* Shearsmith, (1887), 2 T. C., 219; 19 Q. B. D., 624; 35 W. R., 811, *p.* 302
Samuel *v.* Comm. of I.R. (1918), 7 T. C., 277; 2 K. B., 553; 119 L. T., 542; 34 T. L. R., 552, *p.* 471
San Paulo Railway Co. *v.* Carter, (1896), 3 T. C., 407; A. C., 31; 65 L. J. Q. B., 163, *p.* 425
Schulze *v.* Bensted, (1915), 7 T. C. 30; 53 Sc. L. R., 156, *p.* 323
Scottish Investment Trust Co. *v.* Forbes, (1893), 3 T. C., 231; 31 S. L. R., 219, *p.* 492
Scottish Mortgage Co. of New Mexico *v.* McKelvie, (1886), 2 T. C., 165; 24 S. L. R., 87; 14 R., 98, *p.* 264
Scottish North American Trust, Ltd. *v.* Farmer, (1912), 5 T. C. 693, (1912); A. C., 118; 81 L. J. S. C., 81; 105 L. T., 833; 28 T. L. R., 142, *pp.* 271, 320
Scottish Provident Institution *v.* Allan, (1900), 4 T. C., 369; 3 F., 129; 38 S. L. R., 84, *pp.* 266, 271
Scottish Provident Institution *v.* Allan, (1903), 4 T. C., 409 and 591; 38 S. L. R., 683; (1903), A. C., 129, 88 L. T., 478; 40 S. L. R., 605, *p.* 298
Scottish Shire Line, Ltd. *v.* Lethem, (1912), 6 T. C., 91; 49 S. L. R., 792, *pp.* 212, 215, 455
Scottish Union and National Insurance Co., Ltd. *v.* New Zealand and Australian Land Co., Ltd., (1920), *p.* 226
Secretary of State for India *v.* Scoble, (1903), 4 T. C., 478, 618; A. C., 299; 72 L. J. K. B., 617; 89 L. T., 1; 51 W. R., 675, *p.* 129
Severn Fishery Board *v.* O'May, (1919), 2 K. B., 484; 89 L. J. K. B., 9; 121 L. T., 371; 7 T. C., 194, *p.* 256
Shaw *v.* Kay, (1904), 5 T. C., 74; 12 S. L. R., 495, *p.* 410
Shaw *v.* Lichfield Conduit Lands Trustees, (1920), 7 T. C., 597, *p.* 433
Shaw *v.* Smith & Shaw, (1918), 87 L. J. (P.), 49; 118 L. T., 334, *p.* 198
Shrewsbury *v.* Shrewsbury, (1906), 22 T. L. R., 598, *p.* 197
Shrewsbury, Countess of, *v.* Earl of Shrewsbury, (1906), 23 T. L. R., 100, *p.* 374
Singer *v.* Williams, (1920), 89 L. J. K. B., 1218; 123 L. T., 625; 7 T. C., 419; 64 S. J., 569; 36 T. L. R., 659, *p.* 271
Smidth *v.* Greenwood, (1921), 37 T. L. R., *p.* 285
Smiles *v.* Australasian Mortgage and Agency Co., Ltd., (1888), 2 T. C., 367; 25 S. L. R., 645, *pp.* 182, 318, 329, 368
Smith *v.* Dauney, (1904), 5 T. C., 25; 24 T. L. R., 444, *p.* 233
Smith *v.* Lion Brewery Company, Ltd., (1911), 6 T. C., 59; W. N. 39; A. C., 150, *pp.* 150, 180, 343, 347, 348
Smith *v.* Richmond, (1899), 4 T. C., 431; A. C., 448, *p.* 291
Smith *v.* Law Guarantee and Trust Society, Ltd., (1904), 91 L.T., 545; 2 Ch., 569; 73 L. J. Ch., 733; 20 T. L. R., 789, *p.* 351
Smith *v.* Westinghouse Brake Co., (1888), 2 T. C., 357, *p.* 411
Smith (J. W.) *v.* Incorporated Council of Law Reporting for England and Wales (1914), 6 T. C., 477; 3 K. B., 674; *p.* 293
Smith's Trustees *v.* Gaydon, (1919), S. C., 95; 56 Sc. L. R., 92, *p.* 198
Society of Writers to H. M. Signet *v.* Commissioners of Inland Revenue, (1886), 2 T. C., 257; 74 S. L. R., 77, *p.* 447

Southwell *v.* Governors of Holloway College, (1895), 3 T. C., 386; 2 Q. B., 487; 64 L. J. Q. B., 791; 44 W. R., 315, *p.* 399
Southwell *v.* Saville Brothers, Ltd.; (1901), 4 T. C., 430; 2 K. B., 349; 70 L. J. K. B., 815; 85 L. T., 167; 49 W. R., 682, *pp.* 150, 343
Stanley *v.* Gramophone and Typewriter Co., Ltd., (1908), 5 T. C., 358; 2 K. B., 89, *p.* 426
Steamship "Glensloy" Co., Ltd. *v.* Lethem, (1914), 6 T. C., 453, *p.* 140
Stevens *v.* Bishop, (1888), 2 T. C., 249; 20 Q.B.D., 442; 57 L.J.Q.B., 283; 58 L. T., 669; 36 W. R., 421, *p.* 434
Stevens *v.* Boustead & Co., (1918), 87 L. J. K. B., 321; 7 T. C., 107, *p.* 154
Stevens *v.* Durban-Roodepoort Gold Mines Co., Ltd., (1909), 5 T. C., 402; 25 T. L. R., 316, *pp.* 276, 308
Stocker *v.* Inland Revenue Commissioners, (1919), 7 T. C., 304; W. N., 198; 35 T. L. R., 607, *pp.* 421, 473
Stocks *v.* Sulley, (1899), 4 T. C., 98; 36 S. L. R., 902, *pp.* 335, 337
Stott *v.* Hoddinott, (1916), 7 T. C., 85, *p.* 453
Strong & Co. *v.* Woodifield, (1906), 5 T. C., 215; A. C., 448, *pp.* 115, 336, 363
Styles *v.* New York Life Insurance Co., (1889), 2 T. C., 460; 14 A. C., 381; 59 L. J. Q. B., 291; 61 L. T., 201, *pp.* 314, 490
Sugden *v.* Leeds Corporation, (1913), 6 T. C., 211; 108 L. T., 578; 29 T. L. R., 402, *p.* 186
Sulley *v.* Attorney-General, (1860), 2 T. C., 149; 2 L. T., 439, *pp.* 282, 497
Sulley *v.* Royal College of Surgeons, Edinburgh, (1892), 3 T. C., 173; 29 S. L. R., 620, *p.* 447
Sun Insurance Office *v.* Clark, (1911), 6 T. C., 59; [1912], A. C., 443; 81 L. J. K. B., 488; 106 L. T., 438; 29 T. L. R., 303, *p.* 314
Sweet *v.* Macdiarmid or Henderson, (1920), 7 T. C., 640; 58 Sc. L. R., 129, *p.* 200
Tebrau (Johore) Rubber Syndicate, Ltd. *v.* Farmer, (1910), 5 T. C., 658; 47 S. L. R., 816, *p.* 479
Tennant *v.* Smith, (1892), 3 T. C., 158; A. C., 150; 61 L. J. P. C., 11; 66 L. T., 327, *pp.* 376, 385, 414, 416, 443
Texas Land and Mortgage Co. *v.* Holtham, (1894), 3 T. C., 255; 10 T. L. R., 337, *pp.* 151, 156, 193, 389
Thomson *v.* Bensted, (1919), 7 T. C., 137; 56 Sc. L. R., 10, *pp.* 114, 423
Thomson, Black & Co., Ltd. *v.* Batty, (1919), 7 T. C., 158, (1919), S. C., 289; 56 S. L. R., 185, *p.* 410
Tischler *v.* Apthorpe, (1885), 2 T. C., 89; 49 J. P., 272; 52 L. T. (N. S.), 814; 33 W. R., 548, *p.* 282
Trustees of Cardinal Vaughan Memorial School *v.* Ryall, (1920), 7 T. C., 611; 36 T. L. R., 694, *p.* 399
Trustees of Mary Clark Home *v.* Anderson, (1904), 5 T. C., 48; 2 K. B., 645, *p.* 121
Turnbull *v.* Foster, (1904), 6 T. C., 206; 42 Sc. L. R., 15, *p.* 423
Turner *v.* Carlton, (1909), 5 T. C., 395; 1 K. B., 932, *p.* 437
Turner (Leicester), Ltd. *v.* Rickman, (1898), 4 T. C., 25, *p.* 281
Turton *v.* O'Brien, (1919), 7 T. C., 170, *p.* 50
Tyne Boiler Works Co. *v.* Tynemouth Union, (1886), 18 Q. B. D., 81; 56 L. J., 9; 55 L. T., 825; 35, W. R., 110, *pp.* 128, 233, 256, 337, 358

Universal Life Assurance Society *v.* Bishop, (1899), 4 T. C., 139; 68 L. J. Q. B., 962; 81 L. T., 422, *p.* 265
Usher's Wiltshire Brewery, Ltd. *v.* Bruce, (1915), 6 T. C., 399; A. C., 433; 84 L. J. K. B., 417; 112 L. T., 651, *pp.* 150, 346

Vallambrosa Rubber Co., Ltd. *v.* Farmer, (1910), 5 T. C., 529; 47 S. L. R., 488, *pp.* 155, 386

Wakefield Rural District Council *v.* Hall, (1912), 6 T. C., 181; 3 K. B., 328; 81 L. J. K. B., 1201; 107 L. T., 138, *p.* 184
Walker *v.* Reith, (1906), 43 S. L. R., 245, *pp.* 113, 182

Walker & Son *v.* Brisley, (1900); 4 T. C., 254, *p.* 337
Warren *v.* Warren, (1895), W. N., 72; 72 L. T., 628, *p.* 374
Wasmuth *v.* Janes, (1918), 2 Ch. 54; 119 L. T., 114, *p.* 127
Watchmakers' Alliance and Ernest Goodes' Stores, Ltd., *In re*, (1905), 5 T. C., 117, *p.* 350
Watney & Co. *v.* Musgrave, (1880), 1 T. C., 272; 5 Ex. D., 241; 49 L. J., Ex., 493; 42 L. T., 690; 28 W. R., 491, *pp.* 117, 150, 343
Watson Brothers *v.* Lothian, (1902), 4 T. C., 441; 32 S. L. R., 604; 4 F., 795, *p.* 463
Weiss, Biheller & Brooke, Ltd. *v.* Farmer, (1918), 2 K. B., 725; 119 L. T., 677; 34 T. L. R., 561, *p.* 282
Werle & Co. *v.* Colquhoun, (1888), 2 T. C., 402; 20 Q. B. D., 753; 57 L. J. Q. B., 323; 58 L. T., 756; 36 W. R., 613, *p.* 278
Williams *v.* Singer and Others, (1920), 89 L. J. K. B., 1151; 123 L. T., 632; 7 T. C., 387; 64 S. J., 569; 36 T. L. R., 661, *p.* 269
Wilson's Trustees *v.* Wilson, (1919), S. C. 359; 56 Sc. L. R., 256, *p.* 199
Wimble *v.* Bowring, (1918), W. N., 265; 34 T. L. R., 575, *p.* 470
Wingate (James) & Co. *v.* Webber, (1897), 3 T. C., 569; 34 S. L. R., 699, *pp.* 424, 455
Woodburn *v.* Herliby, (1920), 7 T. C. 621, *p.* 295
Wylie *v.* Escott, (1912), 6 T. C., 128, (1913), S. C., 16; 50 S. L. R., 26, *p.* 288
Wyndham *v.* Inland Revenue, (1920), 36 T. L. R., 697, *p.* 470

Yorkshire Fire and Life Insurance Co. *v.* Clayton, (1881), 1 T. C., 336 and 479; 8 Q. B. D., 421; 51 L. J. Q. B., 82; 45 L. T., 697; 30 W. R., 174, *p.* 257
Yokohama Specie Bank, Ltd. *v.* Williams, (1915), 85 L. J. K. B., 950; 113 L. T., 860; 6 T. C., 634, *p.* 145
Young, *In re*, (1875), 1 T. C., 57; 12 S. L. R., 602; 2 R., 925, *p.* 422
Young's Estate, *In re* (1918), 1 I. R., 30, *pp.* 198, 422
Youngs, Crawshay & Youngs, Ltd. *v.* Brooke, (1912), 6 T. C., 393, *p.* 345
Ystradyfodwg and Pontypridd Main Sewerage Board *v.* Bensted, (1907), 5 T. C., 230; 1 K. B., 90; A. C., 264; 23 T. L. R., 621, *p.* 453
Yuanmi Goldfields, Ltd. *v.* Eborall, (1920), 1 K. B. 529; 89 L. J. K. B., 791; 122 L. T., 495; 36 T. L. R., 182, *p.* 459

TABLE OF STATUTES

[NOTE.—References in this book are to the Income Tax Act, 1918, in which are consolidated the previous enactments. As this is intended to be a practical handbook, the references to the older Acts in judicial *dicta* have been amended so as to refer the reader at once to the corresponding existing enactments in the 1918 Act.]

INCOME TAX ACT, 1918

		PAGE
Section	1	270, 317, 350
	5	113
	6	470
	8	113, 304, 470
	11	111
	12	113
	14	171, 180, 228, 229, 385
	17	126
	20	251
	21	435
	22	56, 403
	25	99, 366
	26	271, 276, 371
	27	473
	29	473
	30	383
	31	304
	32	50, 113, 468
	34	26, 32, 133, 245, 248, 314, 356, 357, 384, 512
	36	142, 328
	37	121, 163, 164, 302
	39	121, 287, 309
	40	164, 302, 383
	41	33, 50, 84, 99, 366, 420
	47	505
	48	459
	49	508
	50	450
	53	234
	54	450
	76	138
	78	138
	80	174
	81	174
	82	174
	83	174
	84	174
	98	134, 450
	99	134, 450
	100	451
	101	366
	103	118, 311
	104	354
	105	451

B2—(1521)

PAGE

Section 106 . . . . . 118, 178, 183, 360, 450, 451
107 . . . . . 134, 383
116 311
123 458
124 404
125 . . . . . 135, 384
126 . . . . . 136, 384
127 136
128 136
129 . . . . . 136, 384
131 . . . . . 56, 403
134 . . . . . 131, 134
136 131
137 131
(3)*a* 115
138 131
139 . . . . . 116, 384
140 383
144 . . . . . 131, 384
145 131
146 . . . . . 131, 132, 384
147 458
148 . . . . . 132, 401, 458
149 . . . . . 132, 297
151 85
154 458
157 . . . . . 56, 173, 403, 404
158 173
160 460
161 . . . . . 191, 333
162 . . . . . 174, 221, 222
163 174
164 . . . . . 174, 221
165 174
169 . . . . . 56, 173, 384, 403
170 483
171 . . . . . 103, 113, 304
176 384
187 436
195 132
196 132
208 135
210 105
211 201
212 364
216 136
220 135
(8) 372
221 384
222 384
227 384
231 174
235 297
Schedule A 2, 289, 431
I. 127, 178, 352, 403, 431
II, 1 . . . . . 431, 483

			PAGE
Schedule A—*contd.*			
II,	2		256, 483
	3		483
	4		483
	5		360
	6		251
III,	1		215, 216, 401
	2		216, 330, 364
	3		151, 155, 214, 215, 216, 224 227, 243, 244, 250, 256, 290 330, 363, 377, 404, 430, 484 509
	7		364
	8		151, 155, 224, 227, 238, 244 250, 256, 291, 330, 363, 364 377, 401, 404, 430, 509
IV,	3		405
	4		405
	8		335
	10		404
V,	1	(*a*) and (*b*)	170
	1	(*f*)	226, 230, 250
		(*g*)	230
	5		170
	7		403, 416
	8		315, 403, 419
	9		259
	10		383
VI,			121, 162, 336
	1	(*e*)	352, 447
VII,	1		257
	2		257, 333, 373
	4		222, 232
	6		483
	7		484
	8	(*a*)	333
		(*c*)	257
	9		333
	10		270
	12		257, 333
VIII,	1		189, 296, 333, 412, 419, 483
	4		189, 296, 321, 334, 412, 413 449
	5		296
	6		226
	7		221, 233, 412, 480
	11		412
IX,	2		404, 416
	3		360
Schedule B			2, 119, 244, 249, 288, 289 362, 431, 435
	5		245
	6		245, 248
	7		512

PAGE

Schedule C 2, 321, 431, 437
2 (c) 270
(d) 276, 371
3 146

Schedule C Rules for B. of E.—
6 321
7 321
9 181

Rules for persons other than B. of E.—
1 . . . . . 267, 314
2 267
3 . . . . . 267, 314, 321
4 . . . . . 267, 322
5 . . . . . 267, 321
6 . . . . . 267, 383
8 145

Schedule D 2, 431, 439, 457
Case I 205, 215, 260, 362, 439
II 359, 362, 391, 439
Cases I and II, 1 . . . 114, 183, 277, 370, 439
2 . . . 56, 160, 403
3 . . . 237, 251, 385, 456
(a) . . . 241
(b) . . . 237, 241, 244, 358
(c) . . . 147, 153, 227, 302
(d) . . . 215, 300, 306, 307
(f) . . . 237
(g) . . . 241
(h) . . . 319
(i) . . . 194
(k) . . . 153, 251, 309
4 (3) . . . 235
(4) . . . 235
5 (1) . . . 154
6 . . . 208, 215, 301
(3) . . . 307
(4) . . . 307
(6) . . . 307
8 . . . 370
(1) . . . 132, 370
(2) . . . 33
10 . . . 251, 255
(3) . . . 379
11 . . . 160, 463
12 . . . 270
13 . . . 127, 227, 302, 314, 357
15 . . . 314
Case III, 1 . . . . 142, 220, 350
2 . . . . 158, 319
4 . . . . 158, 295, 364
Case IV 266, 316, 441
1 275
Case V 260, 266, 267, 441
1 & 2 273
Case VI 441, 468

		PAGE
Schedule D—*contd.* Miscellaneous	2	271, 362, 424
	3	132, 145, 191, 235, 459
	4	136, 137, 361
	6	319, 323
Schedule E		3, 437, 443
Schedule E,	1	466
	2	362
	4	231, 445, 385
	5	309, 359, 445
	6	298, 359, 362
	7	404
	9	241
	10	241
	12	218
	17	217
	18 (2)	232
All Schedules,	2 (*a*)	170
	(*b*)	169
	3	114, 271, 423
	4	118, 311, 366
	5	118, 269, 282, 283, 311
	6	269, 282, 283
	7	284
	8	284
	9	284, 296
	10	284
	11	284
	12	285
	13	118, 311, 366
	16	118, 303, 304, 305
	17	304
	18	192
	19	122, 123, 124, 126, 183, 192 202, 319, 412
	(1)	321
	20	122
	21	126, 154, 185, 192, 202, 468
	(1)	202, 321, 380, 412
	22	334
	23	126, 142, 296, 323, 369, 412
	(1)	192, 196
	(2)	193, 196
5th Schedule, No. XIV		309

OTHER ACTS MENTIONED

House Tax Act,	1803 (43 Geo. III, c. 161)	312
,,	1808 (48 Geo. III, c. 55)—	
	Sch. B, Rule 2	289
	5	297
	6	333
	14	333
,,	1817 (57 Geo. III, c. 25), s. 2	312
,,	1851 (18 & 15 Vict. c. 36), s. 3	362

PAGE

Valuation (Metropolis) Act, 1869 (32 & 33 Vict. c. 67), s. 45 . . . . . 127, 354
Customs and Inland Revenue Act, 1878 (41 & 42 Vict. c. 15), s. 12 3
Taxes Management Act, 1880 (43 & 44 Vict. c. 19), s. 82 . . . . . 3, 332
Law of Distress Amendment Act, 1888 (51 & 52 Vict. c. 21), s. 4 222
Inland Revenue Regulation Act, 1890 (53 & 54 Vict. c. 21), s. 10 383
Trade Union (Provident Funds) Act, 1893 (56 & 57 Vict. c. 2) 487
Finance Act, 1896 (59 & 60 Vict. c. 28)—
s. 26 244
ss. 31, 32, 33 332
Finance Act, 1898 (61 & 62 Vict. c. 10)—
s. 8 111
s. 12 332
Perjury Act, 1911 (1 & 2 Geo. V, c. 6), s. 5 . 384
Provisional Collection of Taxes Act, 1913 (3 Geo. V, c. 7) 4, 201
Finance Act, (No. 2), 1915 (5 & 6 Geo. V, c. 89)—
s. 21 332
s. 31 (1) & (2) 285
Finance Act, 1919 (9 & 10 Geo. V, c. 32) . 1, 5
s. 16 504
s. 17 505
s. 19 420
s. 22 170
s. 23 371
s. 25 508
s. 26 . . . . . 304, 371
Finance Act, 1920 (10 & 11 Geo. V, c. 18) . 1, 5, 6, 53, 111, 133, 139
s. 18 228
s. 24 (1) 151
s. 25 113
s. 27 225
s. 28 293
s, 29 420
s. 33 384
s. 52 186
s. 61 . . . . . 136, 217
Finance Act, 1921 (11 & 12 Geo. V, c. 32) . 2, 6
s. 26 . . . . . 36, 145, 459
s. 27 508
s. 28 225
s. 29 402
s. 30 162
s. 31 . . . . . 147, 153, 302
s. 32 . . . . . 206, 467
s. 33 502
s. 34 . . . . . 227, 452

	PAGE
Finance Act, 1922 (12 & 13 Geo. V, c. 17)	6, 107
s. 17	440, 442
s. 18	231
s. 20	498
s. 21	106
s. 23 (1)	420, 435
(2)	512
s. 24	420
s. 27	505
s. 29	324
s. 30	166
s. 32	437

INCOME TAX PRACTICE

PART I

CHAPTER I

THE INCOME TAX ACTS

THE succeeding chapters provide a guide to Income Tax practice. The great questions regarding this branch of the law to which the business man, and even the accountant who acts for him, require answers are—(1) What profits have been made, estimated according to the Income Tax Acts? (2) How should such profits be averaged? (3) What allowances may be claimed and what tax is due? (4) How should the return form be completed? These questions are answered in Chapters II, III, V, VI, and IX respectively. Chapter IV deals with the circumstances in which the taxpayer may set aside or vary the average system, and Chapter X contains nine specimen returns. The remaining chapters set forth the practice in relation to assessments on property, to repayment claims, and to super-tax returns and assessments.

There must always be an Income Tax Code in which the general body of the law must be contained. Until 1918 this reservoir of enactments consisted of numerous Acts, large and small, dating from 1842 onwards. In 1918 all these Acts were consolidated in the Income Tax Act, 1918, which supersedes the previous Acts as from the 6th April, 1919. The references in this book will be found, therefore, to indicate the sections or rules of the Act of 1918.

In addition to the general body of the law, there are the annual amendments contained in the yearly Finance Acts. These Acts reimpose the tax at rates stated therein. Each Act also carries on the law in force in the preceding year, with any alterations it may have been determined to make. For 1920-21, therefore, it is necessary to refer only to the Finance Act, 1920, and the Finance Act, 1919, for amendments to the law presented in the Income Tax

Act, 1918. For 1921–22 the Finance Act of 1921 is added, and so on year by year.

The student may still find use for the following summaries of earlier Acts which operated up to 5th April, 1919. Apart from their historical interest, their contents, as described below, are the contents of the Income Tax Act, 1918, and the notes in the succeeding paragraphs are therefore of present application.

The first of those Income Tax Acts was the *Income Tax Act*, 1842. This Act contained directions for the appointment of unpaid local commissioners whose duty it is to make assessments and to determine appeals. Assessors and collectors were also arranged for, the former to serve forms, to receive returns, and to use their local knowledge in criticism or approval of the amount returned, the latter to collect the tax and pay it into the revenue. It was directed that the Crown should be represented by a central authority, composed of salaried civil servants and now described as the Board of Inland Revenue. The Treasury appoint inspectors of taxes (civil servants paid by fixed salaries) and these officials have power to inspect all returns and to object to or demand the increase of any assessment, subject to the final determination of the local commissioners. Special commissioners are also appointed (these too being salaried civil servants) who act in relation to the deduction of tax from government dividends, etc., with reference to assessments on profits where the taxpayer so elects, and in sundry other matters (including super-tax since 1909).

The Act of 1842 proceeded to divide income into five classes according to its source. These classes fall into Schedules described under the letters A, B, C, D, and E. They extend (1) to all property situated and profits arising in this country by whomsoever owned, and (2) to all foreign and colonial property and profits so far as the income therefrom is brought to this country ; for years subsequent to 1913-14 it is not always necessary that such income should be brought to this country in order to be taxable. *Schedule A* includes income arising from the ownership of land and property in the United Kingdom, *Schedule B* income arising from the occupation of such land, *Schedule C* annuities and dividends paid out of public revenue, *Schedule D* interest, profits of trades and professions, and all profits not included in any other

schedule, *Schedule E* the employees of companies, societies, public bodies, the Crown, etc. The basis of assessment under the general rule of Schedule A is the annual value of the property concerned; under Schedule B it is for 1922-23 that same annual value. Schedule D is by far the most important. It is divided into six "cases": Case I refers to trades, manufactures, etc.; Case II to professions, employments, and vocations; Case III to interest and profits of uncertain annual value; Case IV to foreign securities; Case V to foreign possessions; and Case VI to any other profits. Each case is followed by rules of assessment and by directions as to the admissibility or otherwise of certain expenses. Full information as to the computation of tax on the assessable income for all Schedules will be found on page 439. The system under which much income is charged at source and is received by the owner after the deduction of duty, is explained under Deduction of Tax, page 195.

The next important Act was the *Income Tax Act*, 1853. This Act extended the duties to Ireland, provided for allowances in respect of life assurance premiums (see page 48), and revised the statement indicating the scope of each of the five schedules. The rules of assessment contained in the Act of 1842 remained in force, but a few new rules were added.

The *Customs and Inland Revenue Act*, 1878 (section 12) provided for a deduction from assessments in respect of the diminished value of machinery and plant by reason of wear and tear.

The *Taxes Management Act*, 1880, recast and codified the enactments relating to the appointment of officers and the rules of assessment and collection, etc. It also gave the right of appeal to the High Court on a point of law.

Many acts of less individual importance followed. The chief were the *Finance Act*, 1894, which fixed the (now obsolete) exemption limit of £160, and made allowances for repairs to property (see page 416); the *Customs and Inland Revenue Act*, 1890, which provided for repayment to be made when a loss is incurred (see page 25), and the *Finance Act*, 1898, which laid down scales of abatement (now obsolete).

The *Finance Act*, 1907, differentiated between unearned and certain earned income, extended the time limit for additional

assessments to three years after the financial year concerned (section 23), provided for the adjustment of assessments on new concerns and on concerns discontinued (see pages 23 and 33), repealed section 133 of the Act of 1842 under which assessments might be reduced when the actual profits fell short of the average profits (section 30), and revised the law with respect to patent royalties, allowances for wear and tear, and the rent of the house occupied by ministers and clergymen.

The *Finance* (1909-10) *Act*, 1910, imposed the additional duty on large incomes known as super-tax (see Chapter XIII), elaborated the system of differentiation between earned and unearned income, granted relief in respect of children under sixteen (see page 41), revised in some particulars the law relating to foreign residence, and provided for allowances in respect of the cost of maintenance of land and cottages.

The *Provisional Collection of Taxes Act*, 1913, gave temporary legal force to a resolution of the House of Commons imposing income tax for the year.

The *Finance Act*, 1914, was mainly remarkable for an extensive variation of the rates of charge. It also provided for the assessment of certain foreign income remaining abroad.

The *Finance Act*, 1914 (Session 2), initiated the high rate of tax consequent on the war, and, by reviving section 133 of the 1842 Act, granted special relief to falling incomes (now discontinued).

The *Finance Act*, 1915, rectified certain anomalies previously existing with regard to insurance and investment companies, further restricted the allowance for life assurance premiums (see page 48) and amended the law regarding the estimation of total incomes for super-tax and other purposes (see page 101), savings banks, and interest paid to banks. It also granted relief to certain super-tax payers on military service, etc.

The *Finance* (*No.* 2) *Act*, 1915, further increased the rates, amended the scales of exemption and abatement (see page 111), and children's allowances (see page 41), and of super-tax; varied further the life assurance allowance (see page 48) and altered the basis of assessment under Schedule B (see page 434). It also revived the old system of payment by instalments (see page 55),

and provided for the quarterly assessment of manual weekly-wage earners (see page 55).

The *Finance Act*, 1916, still further increased the rates, further restricted the life assurance allowance (see page 48), extended the children's allowance (see page 41), and allowed relief in respect of Colonial income tax borne on income assessable to United Kingdom income tax (see page 53). There were other minor provisions.

The *Finance Act*, 1917, made provision for the assessment of interest, etc., on War Stock, and granted relief in respect of interest paid to members of the Stock Exchange, etc. (see page 327). It extended the children's allowance to cover adopted children (see page 41).

The *Finance Act*, 1918, dealt with the annual value of business premises situated abroad; extended the children's allowances in certain circumstances to incomes not exceeding £1,000 (see page 41); made allowance in respect of part of the annual value of a house owned and occupied by a clergyman or minister; considerably amended the rules governing the allowance in respect of the depreciation of plant and machinery and of certain buildings (see page 207); imposed tax under Schedule B on *double* the rental value (see page 434); provided for the payment of tax under Schedule A in two instalments, and granted relief in respect of a taxpayer's wife and certain dependent relatives (see page 43).

The *Finance Act*, 1919, granted exemption in respect of certain war gratuities, wounds and disability pensions (see page 504); granted an allowance in respect of the depreciation of certain business premises situated abroad (see page 216); extended the allowance for repairs of houses (see Chap. XII); extended the relief granted in respect of wife, children and dependent relatives (see page 416); made a further allowance in respect of the annual value of a house owned and occupied by a clergyman or minister; and extended the time limit allowed for an application for separate assessment of husband and wife (see page 304).

The *Finance Act*, 1920, embodied the recommendations of the Report of the Royal Commission on the general graduation of the Income Tax. It increased the rate of super-tax on large incomes (see page 101); revised the allowance in respect of earned income (see page 39), the personal abatement (see page 39), the marriage

allowance (see page 39), and the deductions in respect of children and dependent relatives (see page 41); provided for a reduced rate on the first £225 of taxable income (see page 43); amended the life-assurance allowances (see page 48); and dealt with the apportionment of allowances where husband and wife claim separate assessment (see page 45); permitted claims to allowances by British subjects not resident in the United Kingdom (see page 44); and made an important concession respecting Dominion tax charged on income also chargeable to United Kingdom tax (see page 53).

The *Finance Act*, 1920, also instituted the Corporation Profits Tax (page 186).

The *Finance Act*, 1921, declared certain war reliefs to have lapsed, and limited applications by reference to a "specific cause" of loss (see page 459); authorized the holder of certain Government securities to require tax to be deducted before payment of interest (see page 508); made administrative changes as regards claims to Dominion Income Tax relief (see page 53) and proceedings for recovery of tax due under quarterly assessments (see page 402); extended exemption to lands owned and occupied by and certain trades carried on by charities (see page 162); permitted reasonable deductions in respect of the annual value or rent of premises partly used for residential purposes (see page 153); and made rules for the exemption of superannuation funds (see page 467) and sewers (see page 452).

The *Finance Act*, 1922, reduced the rate of Income Tax to 5s. (see page 407); provided for the assessment of untaxed interest under Case III of Schedule D (see page 440); required all employments to be assessed on the salary of the current year (see page 231); provided for the treatment of certain trust income, etc., as income of the disponer (see page 107) and for the assessment to super-tax of certain undistributed income of private companies (see page 107); gave power to the Special Commissioners to require details of income for super-tax purposes (see page 106); reduced the normal basis of assessment under Schedule B by reference to annual value (see page 435); extended the allowance for repairs, maintenance, etc., of property as from 1923–24 (see page 416); provided for a re-assessment of property under Schedule A for 1923–4 (see page 437).

extended the classes of savings certificates which are free from tax (see page 505) ; provided that interest paid on arrears of Excess Profits Duty shall not be deducted for income tax purposes (see page 324) ; and extended exemption to income which is not paid to a charity until one year after the death of a testator (see page 166).

The eight Acts last mentioned imposed and regulated the Excess Profits Duty.

CHAPTER II

THE BALANCE OF PROFIT (SCHEDULE D)

The Adjustment of Accounts for Income Tax Purposes—Rules (*a*) to (*p*) where full accounts are kept; example (1) account and adjustment—Rules (*q*) to (*t*) where cash account only is kept; examples (2) and (3) accounts and adjustments—Rules (*u*) to (*z*) where no account is kept; example (4).

BUSINESS men vary exceedingly in their methods of book-keeping and in the degree of caution, or otherwise, which they show in estimating the amount of their profits. For Income Tax purposes, however, the standard is fixed by stringent rules. Hence a trader's profits, as shown in his books, will require adjustment in certain respects before the amount is brought into the average to be returned. The matter is not at all difficult when a comprehensive plan is followed. It will be the object of this chapter to lay down such a plan and one, moreover, which can be applied to every case in which accounts are drawn up.

It is always well to take for the basis of calculation the balance of the profit or loss as estimated by the trader for his own purposes. To this profit (it is simplest to regard a loss as a minus quantity of profit) certain items will probably require to be added, and from it other items should possibly be deducted. The object of this adjustment is to disallow any charges which the trader has made but which the Income Tax Acts do not allow, and to make any deductions not made by the trader but which the Acts authorize.

The rules will now be stated and the taxpayer is not likely to have much difficulty if he reads them through before making his return, setting his mind on the affairs of his own business while doing so, and referring to his books when necessary.

Where Full Accounts are Drawn Up.

Add such of the following items as are applicable—

(*a*) The cost of additions, extensions and improvements to premises, fixtures or plant (including such items as an additional cart,

a new shop front, a typewriter, etc.), so far as they have been charged against profits.

(*b*) The amount of any sums written off as depreciation, as additions to reserves (for bad debts, etc.), or to a suspense account. (A distinct claim may be made in respect of depreciation of plant and machinery, and sometimes in respect of fixtures.)

(*c*) Any expenses incurred in setting up the business which have been charged against the profits (*e.g.* a company's preliminary expenses, goodwill written off, etc.).

(*d*) Any expense incurred in obtaining or re-arranging capital, so far as it has been charged against profits (*e.g.* a lawyer's charge for obtaining a loan, interest on a loan other than interest paid to a bank, to a discount house, or a member of a Stock Exchange, on trade loans, the cost of issuing shares or debentures, etc.).

(*e*) Expenses charged against profits in respect of other capital matters (*e.g.* the cost of a deed of partnership, the premium or other payment for a lease, etc.).

(*f*) Drawings by or allowances to the trader himself or to his wife, whether under the name of interest on capital, drawings, salary or wages; also payments to retired or sleeping partners.

(*g*) Expenses viewed by the Acts as being personal to the trader (*e.g.* subscriptions, charitable donations, income tax, the cost of the trader's maintenance or that of his family or domestic servants, life assurance premiums).

(*h*) Any charge exceeding that allowed by the Acts in respect of business premises or rent, rates, lighting, where the trader resides on the premises in which the business is carried on.

(*i*) Other expenses not wholly and exclusively laid out for the purposes of trade.

(*j*) Annual interest, ground rent, annuities, etc., from all of which the trader should deduct tax at the highest rate.

(*k*) The value of any goods supplied without payment to the trader's family or to another trader in return for goods not used in the business.

(*l*) Any bad debts written off in previous years but now recovered and added to the bad debts reserve.

Deduct such of the following items as are applicable—

(*m*) A due charge for the annual value of the business premises if

they are owned by the trader and if no rent has been charged in the accounts.

(*n*) Any receipts from sub-tenants, provided that no charge has been made in the accounts in respect of the premises sublet; similarly, rents received from any property owned by the trader. It will be understood that these deductions will be made only if the rents in question are included in the accounts as receipts.

(*o*) Sums charged against reserve or suspense accounts which the trader was entitled to charge against the year's profit (*e.g.* an ascertained bad debt or other trading loss).

(*p*) The actual amount of dividends (taxed before receipt) included in the profits; also any other taxed income included in the profits.

These rules may be summarized as follows—

I. Adjust matters relating to CAPITAL.—Rules (*a*), (*b*), (*c*), (*d*), (*e*), and (*l*);

II. Adjust matters relating to the PROPRIETOR'S PERSONAL affairs.—Rules (*f*), (*g*), (*h*), and (*k*);

III. Adjust matters which are IRRELEVANT TO TRADING.—Rule (*i*);

IV. Adjust matters which are TAXED ELSEWHERE (under another Schedule), *e.g.* property, by deduction of tax, *e.g.* dividends; or by prior payment of tax on the item, *e.g.* reserve funds.—Rules (*m*), (*n*), (*o*), and (*p*).

Example (1). Where the Trader has Drawn up a Profit and Loss Account.

To explain certain of the adjustments which will be made it should be taken—

(1) That *Interest* £20 is the balance of the interest account; the only receipt is £15 on loan to J. Francis; the payments are £10 on bank overdraft, and £25 interest on a mortgage;

(2) That at the beginning of 1921 the *Bad Debts Reserve* stood at £120, which, during 1921, has been decreased by £43 written off as bad, but increased by £23 debt written off in past years but unexpectedly recovered in 1921, and by the £30 shown in the profit and loss account.

A. WORTH & SONS, CORN MERCHANTS

Dr. PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DEC., 1921. *Cr.*

To		£	By		£
	Interest	£20		Trading A/c (Gross profit)	1,746
„	Ground Rent	15	„	Dividends (taxed before receipt)	18
„	Wages	320			
„	Rates	40			
„	Income Tax	57			
„	Repairs to Premises ..	21			
„	Lighting	33			
„	Annuity to Mrs. D. Worth	200			
„	Depreciation of Premises	25			
„	Depreciation of Chaff-cutting Machine ..	10			
„	Interest on Capital—				
	A. Worth	45			
	B. Worth	15			
	C. Worth	10			
„	Salaries to Partners—				
	A. Worth	250			
	B. Worth	150			
	C. Worth	150			
„	Written off Goodwill A/c	50			
„	Reserve for Bad Debts	30			
„	Balance being Profit ..	323			
	TOTAL .. ..£	1,764		TOTAL .. ..£	1,764

The letter after each item in the statement given on page 12 refers to the rule under which the particular adjustment is made. £1,206 is the amount which will fall into the average (see page 19) for return and assessment. Specimen returns of the firm and partners will be found in Chapter X.

The adjustment just made is often drawn up in the form of an account. If this were done the account should follow on the profit and loss account, the balance of £323 being carried to the credit side, the expenses disallowed (totalling £1,059) being added beneath it and the taxed dividends, etc., deducted (totalling £176) being brought to the debit side. A new balance of £1,206 would then appear on the debit side, being the profit for income tax purposes.

Where the Trader has Kept a Cash Account only.

In this case it is assumed that the trader has drawn up no profit and loss account, but that a comprehensive cash account of receipts and expenses has been kept.

ADJUSTMENT—(see page 11)			£
Balance being Profit			323
Add—			
[1]Interest (*j*)	£ 25		
Ground Rent (*j*)	15		
Income Tax (*g*)	57		
Annuity (*j*)	200		
Depreciation of Premises (*b*)	25		
[2]Depreciation of Machine (*b*)	10		
Interest on Capital (*f*), £45, £15, £10	70		
Salaries to Partners (*f*), £250, £150, £150	550		
Written off Goodwill (*c*)	50		
Reserve for Bad Debts (*b*)	30		
Bad Debt recovered (*l*)	23		
[3]New Coal-shed (*a*)	4		
TOTAL		1,059	
		1,382	
Deduct—			
Taxed Dividends (*p*)	18		
[1]Interest from which Francis deducted tax (*p*)	15		
Bad Debt written off from Reserve (*o*)	43		
[4]Schedule A assessment on Premises (*m*)	100		
TOTAL		176	
		£1,206	

When this system is followed certain rules must be observed in making the income tax adjustment *in addition to* those stated on pages 8, 9 and 10.

Add such of the following items as are applicable—

(*q*) Any capital expense charged in the account (*e.g.* repayment of loan, purchase of new premises, fixtures, etc.).

[1] For explanation of these items see the note on page 10.

[2] An allowance will be made after the assessment is arrived at.

[3] This item does not appear in the Profit and Loss Account. It is presumed to be taken from the Trading Account, and is given here as a reminder that the rules for adjustment apply to all entries which affect the profit, in whatever account they may appear.

[4] It is assumed that no charge has been made for rent; also that the premises are owned by the firm and are assessed under Schedule A at £120 gross and £100 nett. The *nett* assessment is deducted here because a charge has been made in the account for repairs (£21). An alternative method sometimes admitted would be to add this item (£21) to the profit and deduct £120 instead of £100, but the method adopted must be the same in all years. By the Finance Act, 1918, it is provided that, in the case of mills, factories, and similar premises, owned by the trader, he may charge the cost of repairs *and* the full £120. As this is a special allowance to meet the depreciation of buildings of a certain class it has not been incorporated in the above general example. The Finance Act, 1919, extended this allowance to similar premises situated abroad.

(*r*) The amount by which the book debts at the end of the year exceed the amount thereof at the end of the previous year ; also any similar increase of stock ; also the amount by which the sums owing by the trader at the end of the year are less than the corresponding amounts at the end of the previous year.

Deduct such of the following items as are applicable—

(*s*) Any receipts of capital amounts (*e.g.* the proceeds of the sale of any fixtures, etc., repayment of money lent by the trader).

(*t*) The amount by which the book debts at the end of the year are less than the amount thereof at the end of the previous year ; also any similar decrease of stock ; also the amount by which the sums owing by the trader at the end of the year exceed the corresponding amounts at the end of the previous year.

Example (2). Cash Account.

T. JONES, MILKMAN
225 ROYAL ROAD, N.W.

SUMMARY OF DAILY ACCOUNTS OF RECEIPTS AND PAYMENTS
1921

Dr.	£		£	*Cr.*
To Gross Takings, Round A	602	By Dairy Bills	1,116	
,, do. Round B	583	,, Loan repaid to Dairy Co.	20	
,, do. Shop ..	405	,, Interest on Loan ..	1	
,, Rent received from tenants of 16 and 17 Black Street	83	,, Life Insurance premiums	6	
		,, Subscriptions	4	
		,, Rent of 225 Royal Road	70	
,, Loan repaid by F. Evans	10	,, Rates on do.	18	
,, Rent of Stable sublet ..	15	,, Lighting do.	14	
		,, Income Tax	4	
		,, Improvements to Shop..	8	
		,, Wages	230	
		,, Rates on Black Street..	13	
		,, Repairs to do.	7	
		,, Balance being Profit ..	187	
TOTAL	£1,698	TOTAL	£1,698	

As certain relevant matters are not revealed in this summary it may be taken—

(1) That the life assurance premiums are made up of £3 on the life of T. Jones, £2 on the life of his wife, and £1 on the life of his child. In the adjustment all three items will be found to be added back to the profit, but a separate claim in respect of the first two items is shown on the specimen return in Chapter X :

(2) That *wages* £230 include £52 paid to the trader's wife;

(3) That the stock of flour, tea, etc., was £5 less on 31/12/21 than on 31/12/20;

(4) That book debts owing to T. Jones were £8 more on 31/12/21 than on 31/12/20;

(5) That T. Jones has supplied £15 worth of milk to B. James, butcher, in return for £15 worth of meat for domestic consumption;

(6) That T. Jones and his family have consumed £24 worth of his stock without making any payment therefor;

(7) That the rent £70 includes £10 for the stable which T. Jones sublets.

The letter after each item in the following statement refers to the rule under which the particular adjustment is made.

ADJUSTMENT

	£	£
Balance being Profit		187
Add—		
Loan repaid (*q*)	20	
Interest (*j*)	1	
Life Insurance premiums (*g*)	6	
[1]Subscriptions (*g*)	2	
[2]Rent of Stable and Proportion of Rates applicable (*i*)	13	
Income Tax (*g*)	4	
Improvements to Shop (*a*)	8	
[3]Rates on Black Street (*i*)	13	
[3]Repairs to do. (*i*)	7	
Wages to Wife (*f*)	52	
One-third Rent of 225 Royal Road (*h*)	20	
One-third Rates do. (*h*)	5	
One quarter Lighting do. (*h*)	4	
Goods supplied to B. James (*k*)	15	
Domestic Consumption (*k*)	24	
Increase in Book Debts (*r*)	8	
TOTAL	—	202
		389
Deduct—		
[3]Rents from Black Street (*n*)	83	
Loan repaid by F. Evans (*s*)	10	
[2]Subletting of Stable (*n*)	15	
Decrease in Stock (*t*)	5	
TOTAL	—	113
		£276

[1] It is assumed that of the Subscriptions £4, £2 were of such a nature as to be allowable, viz., were made to secure specific trade benefit.

[2] These entries must be taken together; alternatively they may both be omitted, but the method shown is correct.

[3] These adjustments remove from the account absolutely all reference to the Black Street property, which is irrelevant to the trader's liability under Schedule D.

£276 is the amount which will fall into the average (see page 19) for return and assessment. The return made by T. Jones will be found in Chapter X.

Example (3).

This example illustrates the inadequacy of a cash account as the basis of an income tax return, unless regard is paid to the existence of outstanding debts as directed by rules (*r*) and (*t*). The case given is an extreme one, being that of a doctor in the first three years of a new practice (In later years the "incorrect" system described is not always objected to by Inspectors, if it works equitably.) The accounts may be taken as correct for income tax purposes except that such debts have been ignored.

C. KEENE, *Physician.*

RECEIPTS AND PAYMENTS ACCOUNT FOR 1919, 1920, AND 1921

Dr.	1919.	1920.	1921.		1919.	1920.	1921.	*Cr.*
	£	£	£		£	£	£	
To Gross Receipts	287	413	478	By Drugs, Bottles, etc.	97	133	155	
				,, Proportion of Rent and Rates ..	17	17	17	
				,, Proportion of Servants' Wages & Keep	70	70	70	
				,, Travelling Expenses	41	60	72	
				,, Subscriptions and Sundries ..	13	18	22	
				Balance being Profit..	49	115	142	
	£287	£413	£478		£287	£413	£478	

Income tax return (*incorrect*) without regard to outstanding debts—

1919—£49
1920—115
1921—142

3)306

£102 Average profit for assessment 1922/3

To obtain a correct result the amount of the outstanding debts must be considered. They may be taken to be as follows—

Debts outstanding—

1st January, 1919—Nil
31st December, 1919—£87 less £9 irrecoverable = £78
Do. 1920—134 ,, 23 ,, = 111
Do. 1921—174 ,, 36 ,, = 138

Debts outstanding at the end of one year but paid in a subsequent year are included in the gross receipts.

Income tax return (*correct*)—	1919.	1920.	1921.
Profit as per account	£49	£115	£142
Add Increase in outstanding debts during year	78	33	27
	£127	£148	£169

1919—£127 Profit
1920— 148
1921— 169

3)444

£148 for assessment 1922/3

The difference in principle between the incorrect and the correct returns is that the former represents the average receipts, whereas the latter represents the average earnings.

Where no Accounts are Kept.

When this is literally the fact it is of course impossible to make any " adjustment " for income tax purposes. The following is the only method which could give even approximately the amount of the taxable profit. The rules given in the previous pages cease to apply except when they are specifically referred to below.

(*u*) Examine the bank account. Any increase in the balance (excluding from the reckoning any change due to interest paid or charged[1]) counts as a profit ; any decrease counts as a loss.

(*v*) Consider any other variations in the assets. Any money borrowed during the year or property, stocks, etc., sold, or other decreases in capital count as losses ; any money lent during the year or property, stocks, etc., bought, or other increases in capital count as profits.

(*w*) Consider the value of trade stock in hand and the value of debts owing to the trader. Any increases during the year count as profits ; any decreases count as losses.

(*x*) Consider any amounts owing by the trader. Any increases during the year count as losses ; any decreases count as profits.

[1] The direction contained within brackets has the object of excluding from consideration all interest paid or received, except interest paid to a bank, or to a discount house or member of a Stock Exchange, on a loan for purposes of trade.

(*y*) Estimate the cost of living, including that of the trader and of his family; also all items of expenditure suggested by rules (*a*) to (*l*) on pages 8 and 9. As the cost of these has come out of the business but is not allowable for income tax purposes, it will count as profit.

(*z*) Reckon up the amount of any income from sources other than from the business (from property, stocks, etc.) and of expenses incurred otherwise than necessarily and solely in the carrying on of the business. Any such income counts as a loss; any such expenses count as profits.

Example (4).

A. Smith, tailor, has kept no books, but prepares the following statement according to the preceding rules. The letter after each item in the following statement refers to the rule which concerns that item.

STATEMENT

	As at 31/12/20.	As at 31/12/21.	Profit.	Loss.
Bank Pass Book (*u*)	In hand £98	In hand £83		£15
Mortgages on Smith's property (*v*)	£350	£550		200
War Loan owned (*v*) ..	Nil.	25	25	
Property owned at cost (*v*) ..	950	1,250	300	
Stock in hand (*w*)	240	190		50
Trade debts owing to A. Smith (*w*)	57	61	4	
Trade debts owing by A. Smith (*x*)	40	50		10
Drawn by A. Smith (*y*, *f*)	£208 during 1921		208	
Clothes taken from Stock (*y*, *k*)	£14 do.		14	
Proportion of rent, rates, etc., applicable to residence (*y*, *h*)	£32		32	
Lawyers charges *re* property (*y*, *d*)	12		12	
Income tax (*y*, *g*)	12		12	
Interest paid (*y*, *j*)	23		23	
Income from War Loan and property (*z*)	248			248
Expenditure on property (*z*)	113		113	
			£743	£523
PROFITS OF BUSINESS			£220	

£220 is the profit which falls into the average (see page 19) for return and assessment. Some of the figures given above could be obtained from the bank pass book, but the trader must trust to his memory for others, and omissions and errors are inevitable. It must be repeated that this method is not at all satisfactory. Howbeit it is the only one possible when no books are kept.

CHAPTER III

THE AVERAGE SYSTEM (PROFITS—SCHEDULE D, ETC.)

The Year of Assessment—Statutory Income—The Three Years' Average—Changes in Proprietorship—The Early Years of a Business—Example—List of Averages.

The Year of Assessment.

INCOME tax is charged in respect of the financial year beginning 6th April and ending 5th April, duty being payable on the 1st January between those dates, *i.e.* three-quarters of the way through the financial year, or, in some cases, in equal instalments on that date and on the following 1st July. Thus, an assessment for the year 1922–23 is in respect of the taxpayer's liability from 6th April, 1922, to 5th April, 1923, the return form is usually served on him during May, 1922, and the first tax becomes due on 1st January, 1923. (See page 55 as regards quarterly assessments on manual workers.)

As the matter may be closed in January, 1923, obviously the actual profits of the financial year ending 5th April, 1923, cannot be the basis of assessment for that year. It follows, therefore, that in the normal course a business man's assessment has no relation to the profits of the year of assessment. The law postulates a *statutory income* (or "income estimated according to the rules and directions of the income tax acts"), and it is this statutory income which is the essential matter.

The statutory income derived from the carrying on of a trade, profession, vocation, or employment, etc., is the amount of the average profits of the three years preceding the year of assessment. (There are special rules regarding the first three years of a business —see later in this chapter. The average system may sometimes be departed from—see the succeeding chapter. The employee of a company comes under different rules, stated under EMPLOYEES. Thus, for 1922–23, a trader's statutory income is the average profits

of the three years 1919–20, 1920–21, and 1921–22. It may be emphasized that this statutory income is all the authorities are concerned with. It may be more or less than the actual profit of 1922/23 ultimately proves to be, but this is immaterial. In all returns and declarations of total income for purposes of claims to exemption, allowance, or earned income relief, the *statutory income* is the amount to be included in respect of the business, vocation, etc.

Three matters of importance in this connection will now be indicated.

(1) The statutory income is the average of the profits of the past three years, *each year's profits being calculated in accordance with the rules of the Acts.* These rules have been set forth in Chapter II and the specimen returns in Chapter X will be found to be based on average profits as adjusted for income tax purposes in Chapter II.

(2) The statutory income of a business is the average profit of that business irrespective of any change in ownership. That is to say, the average attaches to a concern and not to the owner. The trader may claim exemption from this rule, however, if his profits fall short of the sum assessed owing to a specific cause such as an unusual depression of trade after a change in ownership.

(3) The financial year extends from 6th April to 5th April, but traders rarely balance their books in accordance with these dates. In this case they should base their returns on the accounts of the three years ended on such day of the previous financial year on which the accounts have been usually made up. Thus, for purposes of a return for 1922/23 the last account to fall into the average must have been closed on a date prior to 6th April, 1922.

The Early Years of a Business.

The normal basis of assessment for a new business is as follows—

(*a*) *For the year in which it is set up,* "according to an average as the case may require and as shall be prescribed by the commissioners" (Schedule D, Case VI); that is to say, on a fair basis approved by the local general commissioners. (*b*) *For the first complete year,* "on the average profits from the period of the first setting up of the business" (Schedule D, Case VI), that is to say, on the profits shown by the first accounts if the books are closed annually; (*c*) *for the second complete year* on the basis stated under (*b*); (*d*) *for the third*

complete year on the average profits of the first two years; (*e*) *for the fourth and subsequent years*, on the average profits of the three preceding years. (For periods (*a*), (*b*), (*c*) and (*d*) an adjustment may sometimes be claimed as shown in the next chapter.)

EXAMPLE.—A business is set up on 1st January, 1919, and closes its accounts each year on 31st December. The profits, after adjustment for income tax purposes as explained in Chapter II, are as follows—

1919—£1,120
1920—£1,340
1921— £870
1922—£1,030

The assessments will be as follows—

(*a*) Year of assessment 1918/19 (*i.e.* 6th April, 1918, to 5th April, 1919)—"according to an average as the case may require." If the concern can make up an interim account from 1st January, 1919, to 5th April (or 31st March), 1919, the profit shown thereby will, of course, afford a satisfactory basis of assessment. If this cannot well be done, however, the matter will probably be allowed to stand over until the first year's account is prepared. Unless there are strong reasons against it the assessment for 1918/19 will be one quarter of the profit for 1919, *i.e.* ¼ of £1,120 = £280. (See also the note on the assessment for 1919/20.)

(*b*) Year of assessment 1919/20 (*i.e.* 6th April, 1919, to 5th April, 1920)—on the average profits since the setting up of the business, in practice on the first complete year's profits, viz., £1,120. It may at first sight appear to a trader that he should not pay tax on £280 (¼ of £1,120) for 1918/19, and on the full £1,120 for 1919/20. It should be remembered, however, that the assessments for 1918/19 and 1919/20 cover fifteen months trading to 6th April, 1920, and therefore include profits to be made in the first quarter of 1920. The assessments for periods (*a*) and (*b*) are usually considered together and where any obvious injustice is done by this system the local commissioners will no doubt take into consideration the indefinite average indicated by the act ("according to an average as the case may require").

(*c*) Year of assessment 1920/21 (*i.e.* 6th April, 1920, to 5th April,

1921)—on the same basis and on the same amount as (*b*), viz., £1,120. The liability to assessment on this basis is undoubted, subject to the taxpayer's right to claim the adjustment indicated in the next chapter.

(*d*) Year of assessment 1921/22 (*i.e.* 6th April, 1921, to 5th April, 1922)—on the average profits of 1919 and 1920, viz., £1,120 plus £1,340 divided by 2, equals £1,230.

(*e*) Year of assessment 1922/23—on the average profits of 1919, 1920, and 1921, viz., £1,120 plus £1,340 plus £870, divided by 3 equals £1,110 : the assessment for 1923/24 is on the average profits of 1920, 1921, and 1922 (£1,340 plus £870 plus £1,030 divided by 3 equals £1,080), and so on for subsequent years.

Average of trade profits in early years of business—see the interesting decision referred to under the heading AVERAGES UNDER SCHEDULE D in the second part of this book.

List of Averages.

See under AVERAGES in the second part of this book.

CHAPTER IV

EXCEPTIONS TO AND MODIFICATIONS OF THE AVERAGE SYSTEM (PROFITS—SCHEDULE D)

The Taxpayer's Option—Adjustment of Assessment where a new Business has been set up—Adjustment of Assessment where a Loss has been incurred—where a Loss has been incurred in the Early Years of a Business (Double Adjustment)—Adjustment of Assessment where a Business has been Discontinued—Adjustment of Assessment in case of a Specific Cause of Loss.

In certain circumstances a person carrying on or exercising a trade, profession, or vocation assessed under Schedule D, may exercise the right of departing from the average system set forth in Chapter III. This variation may never be demanded by the Crown or imposed by the local commissioners except at the instance of the person assessed. Further, it is only in four cases that the latter has such an option, viz., (1) where a new business has been set up, (2) where an absolute loss has been incurred, (3) where a business has been discontinued, and (4) in the circumstances described later in which a specific "cause of loss" may be proved. In all other cases the average system must be adhered to whatever its effect and however far the result may be from approximating to the actual profits of the concern assessed.

Where a New Business has been Set Up.

The normal system of assessment in the early years of a new business has been described in the preceding chapter. It may be convenient to summarize the example given there of a business set up on 1st January, 1919. The profits shown by the accounts (after adjustment for income tax purposes) were as follows—

1919—£1,120	1921— £870
1920—£1,340	1922—£1,030

The assessments were based on the normal system as follows—

1918/19 (3 months)	¼ of £1,120	..	= £280
1919/20	.. £1,120	..	= £1,120
1920/21	.. £1,120	..	= £1,120
1921/22	.. $\frac{£1,120 + 1,340}{2}$ ..	..	= £1,230
1922/23	.. $\frac{£1,120 + 1,340 + 870}{3}$ ..	..	= £1,110

It is enacted, however, that in the case of a *profession, trade, or vocation* set up or commenced within the year of assessment or within the three preceding years, if the profits arising during the year of assessment fall short of the sum assessed, the person assessed shall be entitled to be charged on the actual profits of that year or be refunded any excess of duty paid. (*Income Tax Act*, 1918, Schedule D. Cases I and II. 8 (1).) That is to say, if a person carrying on a profession, trade or vocation, finds that in any of certain specified periods his assessment is larger than his actual profit, he may demand an adjustment of such assessment—the specified periods being the financial year in which the business was set up, or any or all of the three succeeding financial years.

In the example given above, the person assessed is entitled to an adjustment of any of the assessments for 1918/19, 1919/20, 1920/21 or 1921/22, if he can prove that the profit of such year was less than the amount of the assessment in question. Thus, he might draw out an account showing that in the financial year 1921/22 his profit was £930 only, in which case the assessment for that year would be reduced from £1,230 to £930. No other assessment would be affected by this adjustment, although a similar claim might be made for any or all of the other three financial years if the facts warranted.

But in the example given the trader has not drawn out his account according to the financial year, but according to the calendar year. May these accounts form the basis of a claim ? By the letter of the law they may not, but in practice the local commissioners will either split the accounts (*i.e.* assume the profits for 1920/21 to be ¾ of the 1920 profit plus ¼ of the 1921 profit) or regard the 1920 profit as the profit for the financial year 1920/21. If the commissioners authorize

the former system (as they usually will) the profits may be compared with the assessments as follows—

Financial Year.	Assessment.	Profit.
1918/19 ..	.. £280 ..	.. ¼ of £1,120.. .. .. = £280
1919/20 ..	.. 1,120 ..	.. ¾ of £1,120 plus ¼ of £1,340 = 1,175
1920/21 ..	.. 1,120 ..	.. ¾ of £1,340 plus ¼ of £870 = 1,222
1921/22 ..	.. 1,230 ..	.. ¾ of £870 plus ¼ of £1,030 = 910

If the latter system is approved the statement would appear as follows—

Financial Year.	Assessment.	Profit.
1918/19 ..	.. £280 ..	(say) £280
1919/20 ..	.. 1,120 ..	.. 1,120
1920/21 ..	.. 1,120 ..	.. 1,340
1921/22 ..	.. 1,230 ..	.. 870

In either case the adjustment will be claimed for 1921/22 only. Under the former system the assessment should be reduced to £910 and under the latter to £870.

Two points should be noted—

(1) The title to adjustment is confined to professions, trades, and vocations. Employments are not included in the provision, neither (in strictness) are mines, quarries, ironworks, railways, etc. (to which a three years' average is not applicable).

(2) The claim must be made "at the end of the year of assessment," *i.e.* as soon after the year of assessment as the circumstances of the case make it possible. (*Reg.* v. *Special Commissioners—Cape Copper Mining Co., Ltd.*, 1888.)

See page 32 for the adjustment where a *loss* is made in the early years of a business.

Where a Loss has been Incurred.

The average system may obviously operate so as to impose a considerable assessment for a year in which a loss is incurred. Thus, a concern whose trading results as follows—

1918/19—Profit £4,400
1919/20— „ £3,100
1920/21— „ £1,200
1921/22—Loss £900

will have been assessed on £2,900 for 1921/22 (the average of £4,400, £3,100, and £1,200), regardless of the actual loss of £900. In the

normal course this fact would not entail a particular hardship, as the loss of £900 would make itself felt in the assessments for 1922/23, 1923/24, and 1924/25, being included in the averaging calculations for those years. But in such a case the trader is permitted to depart from the average system, in some measure, and to have the benefit of the loss in 1921/22. (*Income Tax Act*, 1918, *s.* 34.) He cannot escape the fact that £2,900 is his statutory income for 1921/22; but instead of bringing the loss of £900 three times into his averaging calculations (1922/23, 1923/24, and 1924/25) and so reducing three assessments by £300 (⅓rd of £900) each, he may set the whole £900 against the 1921/22 assessment and lose his right to bring it into future averages. In this case he would first pay the duty on £2,900 for 1921/22, and then claim repayment of duty on £900.[1] Several other examples will be given showing the operation of the enactment in various circumstances.

EXAMPLE 1.—Where the loss is exceptional and is less than the amount of the assessment. This is the case set forth above. In addition to the figures given it may be assumed that trading in 1922/23 and 1923/24 result in profits of £2,300 and £3,900 respectively.

Year	Assessments if the adjustment is not claimed in 1921/22.		Assessments if the adjustment is claimed in 1921/22.	
1921/22	$\frac{£4,400 + 3,100 + 1,200}{3}$	= £2,900	£2,900 − 900	= £2,000
1922/23	$\frac{£3,100 + 1,200 - 900}{3}$	= £1,133	$\frac{£3,100 + 1,200 - \text{Nil}}{3}$	= £1,433
1923/24	$\frac{£1,200 - 900 + 2,300}{3}$	= £866	$\frac{£1,200 - \text{Nil} + 2,300}{3}$	= £1,166
1924/25	$\frac{£ - 900 + 2,300 + 3,900}{3}$	= £1,766	$\frac{£\text{Nil} + 2,300 + 3,900}{3}$	= £2,066
	TOTAL	= £6,665	TOTAL	= £6,665

EXAMPLE 2.—Where the loss is exceptional but exceeds the amount of the assessment, the person assessed having no other income. The facts may be assumed to be as follows: 1914/15, profit £1,200; 1915/16, profit £1,300; 1916/17, profit £500; 1917/18, loss of £1,200; 1918/19, profit £800; 1919/20, profit £700.

[1] In recent years claims are admitted before payment.

Year.	Assessment if the adjustment is not claimed in 1917/18.		Assessment if the adjustment is claimed in 1917/18.	
1917/18	$\frac{£1,200 + 1,300 + 500}{3}$	= £1,000	£1,000 – £1,200 = £ – 200—Nil	
1918/19	$\frac{£1,300 + 500 - 1,200}{3}$	= £200	$\frac{£1,300 + 500 - 200}{3}$	= £533
1919/20	$\frac{£500 - 1,200 + 800}{3}$	= £33	$\frac{£500 - 200 + 800}{3}$	= £366
1920/21	$\frac{£ - 1,200 + 800 + 700}{3}$	= £100	$\frac{£ - 200 + 800 + 700}{3}$	= £434
	TOTAL	= £1,333	TOTAL	= £1,333

In the above example the 1917/18 assessment was only large enough for tax on £1,000 to be repaid, leaving a loss of £200 not allowed for. In 1918/19, 1919/20, and 1920/21, therefore, this balance loss of £200 is brought into the average as the result of the trading in 1917/18.

EXAMPLE 3.—The same circumstances as in Example 2, except that the person assessed has taxed dividends £300 in 1921/22.

Year.	Assessment if the adjustment is not claimed in 1917/18.		Assessment if the adjustment is claimed in 1917/18.	
1917/18	(as shown in Example 2)	£1,000	£1,000 – 1,200 = £ – 200—Nil (Tax on £200 repaid on dividends)	
1918/19	do.	£200	$\frac{£1,300 + 500 - \text{Nil}}{3}$	= £600
1919/20	do.	£33	$\frac{£500 - \text{Nil} + 800}{3}$	= £433
1920/21	do.	£100	$\frac{£\,\text{Nil} + 800 + 700}{3}$	= £500
	TOTAL	£1,333	TOTAL	£1,533

In the above example the right-hand column is £200 larger than the left-hand column, which excess is balanced by tax on £200 dividends having been repaid in the right-hand workings.

EXAMPLE 4.—Where the loss is repeated in subsequent years or is heavy in comparison with neighbouring profits. The facts may be assumed to be as follows.

1914/15, profit £1,100; 1915/16, profit £800; 1916/17, profit £300; 1917/18, loss £700; 1918/19, loss £600; 1919/20, loss £300.

Year.	Assessment if the adjustment is not claimed in 1917/18.		Assessment if the adjustment is claimed in 1917/18.	
1917/18	$\frac{£1,100 + 800 + 300}{3}$	= £733	£733 – 700	= £33
1918/19	$\frac{£800 + 300 - 700}{3}$	= £133	$\frac{£800 + 300 - Nil}{3}$	= £366
1919/20	$\frac{£300 - 700 - 600}{3}$	= £ – 333—Nil	$\frac{£300 - Nil - 600}{3}$	= £ – 100—Nil
1920/21	$\frac{£-700 - 600 - 300}{3}$	= £ – 533—Nil	$\frac{£Nil - 600 - 300}{3}$	= £ – 300—Nil
	TOTAL	£866	TOTAL	£399

EXAMPLE 5.—Where a Company makes a loss but is in receipt of taxed dividends. (See (6) on page 31.) The facts may be assumed to be as follows—

1914/15, profit £8,000; 1915/16, profit £5,000; 1916/17, profit £7,000; 1917/18, loss £2,000; 1918/19, loss £1,000; 1919/20, profit £6,000. Taxed dividends have been ignored in arriving at these figures. In 1917/18 and in 1918/19 such dividends (gross — see page 223) amounted to £1,500.

Year.	Assessment if the adjustment is not claimed in 1917/18.		Assessment if the adjustment is claimed in 1917/18.	
1917/18	$\frac{£8,000 + 5,000 + 7,000}{3}$	= £6,666	£6,666 less £500 loss	= £6,166
1918/19	$\frac{£5,000 + 7,000 - 2,000}{3}$	= £3,333	$\frac{£5,000 + 7,000 - 1,500}{3}$	= £3,500
1919/20	$\frac{£7,000 - 2,000 - 1,000}{3}$	= £1,333	$\frac{£7,000 - 1,500 - 1,000}{3}$	= £1,500
1920/21	$\frac{£ - 2,000 - 1,000 + 6,000}{3}$	= £1,000	$\frac{£ - 1,500 - 1,000 + 6,000}{3}$	= £1,166
	TOTAL	£12,332		£12,332

It will be observed that for purposes of the 1917-18 adjustment the Company is regarded as making a loss of £500 (£2,000 less dividends £1,500). In making the averaging calculations for

subsequent years, however, the taxed dividends must be ignored. The loss of £2,000 is brought in, less the £500 on which tax has been repaid, *i.e.* £1,500 as shown in the right-hand workings for 1918/19, 1919/20, and 1920/21. In 1918/19 the company made a profit of £500 when the dividends were taken into account. No adjustment could therefore be claimed for that year.

EXAMPLE 6.—Where a Company has taxed dividends in excess of an amount lost in trading, but can show a loss after deducting the allowance made in respect of the depreciation of plant and machinery. It is doubtful whether the Act provides for an adjustment in these circumstances, inasmuch as the depreciation charge is not an admissible deduction from the year's profits, but is allowed from the average profits of the three preceding years. An affirmative view is admitted by the Revenue, however, and a specimen adjustment will therefore be given. The facts may be assumed to be as follows.

1914/15	profit £1,500;	depreciation £1,200;	dividends £800
1915/16	„ £5,000;	„ £1,220;	„ „
1916/17	„ £1,300;	„ £1,190;	„ „
1917/18	loss £ 600;	„ £1,140;	„ „
1918/19	profit £1,400;	„ £1,100;	„ „
1919/20	„ £5,200;	„ £1,160;	„ „
1920/21	„ £4,400;	„ £1,210;	„ „

Assessments if the adjustment is not claimed in 1917/18.

Year.

1917/18 $\frac{£1,500 + 5,000 + 1,300}{3}$ = £2,600 less depreciation £1,140

1918/19 $\frac{£5,000 + 1,300 - 600}{3}$ = £1,900 „ „ £1,100

1919/20 $\frac{£1,300 - 600 + 1,400}{3}$ = £700 „ „ £1,160, of which £460 must be carried forward.

1920/21 $\frac{£ - 600 + 1,400 + 5,200}{3}$ = £2,000 „ „ £1,210 plus £460 brought forward.

Assessments if the adjustment is claimed in 1917/18.

1917/18 £2,600 less £940 (loss £600 + dep. £1,140 – divds. £800) = £1,660 less depreciation £1,140

1918/19 $\left\{ \begin{array}{l} \frac{£5,000 + 1,300 + 340}{3} = £2,213 \\ \text{or} \\ \frac{£5,000 + 1,300 + \text{Nil}}{3} = £2,100 \end{array} \right\}$ less depreciation £1,100

1919/20 { $\frac{£1,300 + 340 + 1,400}{3} = £1,013$ or $\frac{£1,300 + \text{Nil} + 1,400}{3} = £900$ } less depreciation £1,160, of which some must be carried forward.

1920/21 { $\frac{£340 + 1,400 + 5,200}{3} = £2,313$ or $\frac{\text{Nil} + 1,400 + 5,200}{3} = £2,200$ } less depreciation £1,210, plus amount brought forward.

The *alternative* adjustments reveal a difficulty. Ignoring dividends and depreciation the loss is £600; taking both into consideration the loss is £940, on which sum repayment must be made, if made at all. It is provided that no deduction may be allowed in a subsequent year " by reference to the amount of loss in respect of which repayment has been obtained "; *i.e.* the £940 must not be brought into the averaging calculations for 1918/19, 1919/20, or 1920/21. But for average purposes the loss was only £600. The first alternative secures the balance that the enactment seems, generally speaking, to require. But, assuming the adjustment to be allowable, the second alternative seems to provide for all that the law requires. In such circumstances the adjustment, if made, would appear to be allowed as a concession which requires the *first* of the alternative adjustments to be adopted for 1918/19, 1919/20, and 1920/21.

In Example 4 it is to the permanent advantage of the trader to claim the adjustment in 1917/18, as the repeated losses make the 1919/20 and 1920/21 averaging calculations result in negative amounts. This being so, the exclusion of the 1917/18 loss from the averages of 1919/20 and 1920/21 has no effect; the trader has profited by tax on £700 in 1917/18, has suffered by tax on $\frac{1}{3}$rd of £700 in 1918/19, and is not affected in subsequent years. A similar result would be obtained if the loss were not repeated in 1918/19 and 1919/20, but were large enough in 1917/18 to produce negative averages in 1918/19, 1919/20, or 1920/21.

The essential considerations in connection with the adjustment under discussion may be summarized as follows—

(1) The right to the adjustment is limited to a person or a

company. A firm may not claim as such, but individual partners are within the enactment. No claim may be made by a shareholder of a company which makes a loss.

(2) The right to the adjustment extends to the cases of trades, manufactures, adventures or concerns in the nature of trade (Schedule D, Case I) and professions, employments or vocations (Schedule D, Case II). Mines, quarries, railways, and other concerns in the nature of trade included in Schedule A, No. III, are no doubt also within the scope of the provision in question.

(3) Tax will not be refunded in excess of the amount paid in the financial year concerned by the person making the claim. It is quite possible that the full amount of the loss is never allowed for, *e.g.* in Example 4, if the 1917/18 loss had been £900 (the person assessed having no other income).

(4) The adjustment must be claimed by written notice to the Inspector of Taxes within twelve[1] months of the year of assessment and proof must be given of the amount of the loss and of the payment of tax on the claimant's aggregate income for the year. The matter may be determined by the special or local general commissioners. Their decision may not be appealed against. (*Bruce* v. *Burton*, 1901.)

(5) The adjustment of the assessment may entitle the claimant to exemption and to any reliefs allowed under the acts. In Example 1 (assuming the claimant to have made due claims and to have no other income), the 1917/18 assessment might be amended from £2,900 at 5s. to £2,000 at 3s. 8d. In Example 4 the 1917/18 assessment might be reduced to £33, and then discharged altogether if the total income did not exceed £130 (the exemption limit for that year).

(6) In the case of a company the adjustment may be made only if its total operations result in a loss. A life insurance company made a loss in its insurance business, but made a profit when its taxed investments were brought into the account. Their application for adjustment was refused. (*Revell* v. *Edinburgh Life Insurance Co.*, 1906.)

(7) No adjustment may be claimed on the ground that the three years' average shows a loss. The assessment will be Nil, but tax

[1] In law six months, in practice twelve months.

suffered on other sources may not be reclaimed on account of such average loss.

(8) The effect of the adjustment is to give a trader *immediate* relief in respect of loss, instead of relief in the three succeeding years whose average would normally be affected thereby. Regard should therefore be had to the rate in force at the time of the loss and to the prospective rates in the three succeeding years. If rates are likely to increase it may be well not to claim the adjustment, and *vice versâ*. But see the note on page 30 regarding Example 4.

See also page 24 as regards accounts made up to some date other than 5th April.

Where a Loss is Incurred in the Early Years of a Business.

In this case circumstances may permit adjustments to be made under both the sections referred to above. Thus, a person may plead: "In my third year of trading my assessment (on average) is £800, whereas I have incurred a loss of £200 in this year. I claim, first, to have my assessment discharged under the Income Tax Act, 1918, Schedule D, Cases I and II, 8 (1), on the ground that it is my third year, and I have made no profit; secondly, to be repaid tax on £200 under the *Income Tax Act*, 1918, *s.* 34, on the ground that I have made a loss of £200 and have paid tax on other income to cover this repayment." The case will be further dealt with as will now be shown, assuming the trading to have resulted as follows—

Year.	Profit or Loss.	Assessment.
1915/16	Profit, £850	£850
1916/17	Profit, £750	£850
1917/18	Loss, £200	$\frac{£850 + 750}{2}$ = £800
1918/19	Profit, £400	$\frac{£850 + 750 - 200}{3}$ = £466
1919/20	Profit, £600	$\frac{£750 - 200 + 400}{3}$ = £317
1920/21	Profit, £700	$\frac{£ - 200 + 400 + 600}{3}$ = £266

To favour simplicity of statement the business is assumed to have been set up on 6th April, 1915. If this had occurred in the middle of a financial year, the adjustment for 1917/18 would have been the same; the assessments and possible adjustments in earlier years are set forth on pages 21 and 23. (See also page 24 as regards accounts not made up to 5th April in each year.)

The claimant may be granted an adjustment under the provision explained on page 24. The assessment for 1917/18 would then be discharged, and future assessments would remain as shown above.

But a further claim may be made under the provisions set forth on page 25, if the claimant has other income against which the loss of £200 may be set as shown in Example 3 on page 27. The assessments would then be affected as follows—

Year.	Assessment if no adjustments are claimed in 1917/18.	Assessment if two adjustments are claimed in 1917/18.
1917/18	£800	£800 discharged; tax on £200 dividends refunded
1918/19	£466	$\frac{£850 + 750 - Nil}{3}$ = £533
1919/20	£317	$\frac{£750 - Nil + 400}{3}$ = £383
1920/21	£266	$\frac{£Nil + 400 + 600}{3}$ = £333

Where a Business has been Discontinued.

In the event of the discontinuance in any financial year of a profession, trade or vocation, any person chargeable in respect thereof is entitled to be charged on the actual profit made in that year. Such person may also claim an adjustment (by repayment) of the assessments of all of the three preceding years, if the tax paid for such years exceeds the tax which would have been paid had each year been assessed on its actual profits. (*Income Tax Act*, 1918, Sch. D, Cases I and II, 8 (2).)

It should be noted—

(1) That the only time limit to the claim is that imposed by the Income Tax Act, 1918, s. 41, limiting all repayment claims to a period of three years from the end of the financial year, or the three financial years, to which the claim relates.

(2) That the operation of the section is limited to professions, trades, and vocations.

(3) That in reviewing the assessments of the past three years, each year must be considered separately and the result aggregated; examination of the examples which follow will show that the adjustment has not always the effect of adjusting the aggregate three years' assessments to the aggregate three years' profits.

(4) That the adjustment may be claimed only when the business is discontinued; a change of proprietorship does not give a title to adjustment.

EXAMPLE 1.—A trader ceased business on 23rd July, 1922. His profits were as follows: 1916/17, £1,020; 1917/18, £839; 1918/19, £917; 1919/20, £715; 1920/21, £693; 1921/22, £928; 1922/23 (6/4/22 to 23/7/22), £210. The following statement shows what assessments would have been made and the adjustments to which he was entitled on discontinuing the business.

Year.	Assessment.		Rate	Duty.
1922/23 ..	$\frac{£715 + 693 + 928}{3}$	= £779	..at (say) 5s.[1]	£194 15 0
1919/20 ..	$\frac{£1,020 + 839 + 917}{3}$	= £925	.. „ 6s.	£277 10 0
1920/21 ..	$\frac{£839 + 917 + 715}{3}$	= £824	.. „ 6s.	£247 4 0
1921/22 ..	$\frac{£917 + 715 + 693}{3}$	= £775	.. „ 6s.	£232 10 0
	Total	£2,524		£757 4 0

Year.	Assessment as adjusted.	Rate.	Duty.
1922/23 ..	£210 (actual profit) at (say)	5s.[1] ..	[1]£52 10 0
1919/20 ..	£715 „ „	6s. ..	£214 10 0
1920/21 ..	£693 „ „	6s. ..	£207 18 0
1921/22 ..	£928 „ „	6s. ..	£278 8 0
Total	£2,336		£700 16 0

[1] Tax is actually paid at composite rate, *i.e.* part exempt, part half-rate, and part full rate. In this example it has sufficed to assume the full rate.

EXAMPLE 2.—A trader ceased business on 10th August, 1922. His trading resulted as follows: 1916/17, profit £827; 1917/18, profit £539; 1918/19, profit £417; 1919/20, profit £229; 1920/21, loss £315; 1921/22, loss £97; 1922/23 (6/4/22 to 10/8/22), profit £17. The following statement shows what assessments would have been made and the adjustments to which he was entitled on discontinuing the business.

Year.	Assessment.		Assessment as adjusted.
1922/23 ..	$\frac{£229 - 315 - 97}{3}$	£ - 61—Nil	No assessment (profit £17).
1919/20 ..	$\frac{£827 + 539 + 417}{3}$	£594	£229 (actual profit).
1920/21 ..	$\frac{£539 + 417 + 229}{3}$	£395	Discharged (loss £315)
1921/22 ..	$\frac{£417 + 229 - 315}{3}$	£110	Discharged (loss £97).
	Total	£1,099	£229

No claim is made for 1922/23, there being no assessment.

The three preceding years' trading resulted in a nett loss of £183; the aggregate assessments over the four years, as adjusted, were £229. In August, 1922, there is still time for a further claim to be made for 1921/22 on the ground of loss (see page 25). This is, of course, on the assumption that the person assessed has suffered tax for 1921/22 on some other source of income. In this case a further repayment may be made of tax on £97.

All computations should be made in terms of duty, as Example 1. The various reliefs and allowances often falsify what at first sight might be considered the result of the adjustment. In Example 2 the differences in the assessments are too considerable to be affected in this way.

Where there has been a " Specific Cause " of Loss.

A summary of the provisions in question and examples showing how the adjustment is made in practice are given below. (See also page 458.)

(1) The adjustment may be claimed if the person assessed has

ceased to carry on the concern, has died or has become bankrupt during the financial year ; or if there has been a change in the partnership assessed (either by the death or withdrawal of a partner or by the entrance of a new partner).

The *Finance Act*, 1921, *s.* 26, prohibits the granting of relief to a person who continues to carry on the business throughout the year of assessment without a change in partnership or in ownership.

(2) Where the business is continued by some other person (or by a new partnership) the average system may be departed from only if it is proved that the profits have fallen short of the sum assessed from some specific cause ; such specific cause must have operated (*a*) since the succession of a new proprietor or (*b*) by reason of that succession.

(3) A claim to the adjustment must be made within three calendar months after the end of the financial year in question ; the commissioners are required to give such relief as is just, and to direct repayment where necessary ; the assessment is usually reduced to the actual amount of the profits for the period.

(4) The enactment extends to professions, trades, employments, or vocations.

Example 1.—A clerk died on 2nd June, 1919, his employment not being succeeded to by another person within the year 1919/20. His salary had been £210 in 1916/17, £220 in 1917/18, £230 in 1918/19 and £40 in 1919/20 (5/4/19 to 2/6/19). The assessment for 1919/20 was £220 (the average of the salary over the three preceding years). It should be amended " as is just " either to £40, or to one-sixth of the assessment (£37) as the commissioners determine.

Example 2.—A sells his business (as florist) to B as from 5th October, 1919. The lease of the premises occupied runs out on 25th December, 1919, and B opens a new shop across the street. The old and new businesses are substantially the same, but B proves that his profits have fallen short of the assessment, *by reason of a specific cause since his succession, i.e.* his removal to a less frequented side of the street. If the commissioners are satisfied that the facts are as stated they will amend the assessment. The facts may be taken as follows : 1916/17, A's profit £260 ; 1917/18, A's profit £270 ; 1918/19, A's profit £250 ; 1919/20, 1st half-year, A's

profit £130; 2nd half-year, B's profit £100. The assessment for 1919/20 is £260 (average of £260, £270, and £250). A must account for duty on £130, and B's share (£130) may be amended to £100. The assessment for 1920/21 will be £250 (average of £270, £250, and £230) unless in 1920/21 also circumstances permit of a "specific cause" appeal being made. The right to claim will be for each or all of the years 1920/21, 1921/22 and 1922/23.

EXAMPLE 3.—C, D, and E were in partnership as solicitors. C retires as from 1st January, 1920, and D and E admit F, a new partner, as from the same date. D, E and F prove that their profits have diminished considerably as from the date of change and allege that there has been *a specific cause by reason of the change in partnership*, viz., the loss of C's personal influence. If the commissioners find the facts to be as stated they will adjust the assessment as shown in Example 2.

EXAMPLE 4.—G, a manufacturer, made profits as follows: 1916/17, £830; 1917/18, £790; 1918/19, £780; the assessment for 1919/20 was on the average of these amounts, *i.e.* £800. From 6th April, 1919, to 5th July, 1919, he made a profit of £210, and then disposed of his business to H. In the remaining three quarters of the financial year H made a loss of £110 and proved to the satisfaction of the commissioners that the specific cause of loss was the insufficiency of the working capital he had at his command. The proportion of the assessment applicable to the last three quarters of 1919/20 (£600) was thereupon discharged. H also suffered tax under Schedule A on £130 in respect of the trade premises acquired by him. He therefore made a further claim to repayment on the grounds of loss (as explained on page 25), and was repaid tax on £110, the amount of the loss. The assessment for 1920/21 must, in the absence of a new claim, be £593 (the average of £790, £780, and £210—H's loss may not come into the average as it has been allowed for by repayment).

So that the examples might be as clear as possible, it has been assumed that the traders made up their accounts to 5th April in each year. If they had not done so the Commissioners will usually accept some such approximation as is set forth on page 24.

CHAPTER V

ALLOWANCES DUE AND AMOUNT PAYABLE (WITH EXAMPLES)

Statement of Aggregate Income—Earned Income Relief—Personal Allowance—Marriage Allowance—Allowances for Children and Dependent Relatives—Taxable Income—Rates of Tax—Non-Residents—Husband and Wife Claiming Relief Separately.

The preceding chapters should have brought the taxpayer to the position in which he knows on what amount he should be assessed. He will now enquire as to the allowances and rates which are applicable. The tax chargeable depends in a great measure on the *aggregate amount of his income from all sources,* and this of course enters into matters not dealt with hitherto. This aggregate income must be calculated in accordance with the rules of the Acts, and a form is prepared on which such income may be set down classified as to source. All income, whether taxed already or not, must be included thereon. This information is not required for the purposes of re-assessing income already charged. The sole reason for giving it is to enable the authorities to determine what reliefs can be allowed (earned income relief, life assurance allowance, etc.). The form referred to will be found on the third page of any of the specimen forms No. 11 printed in Chapter X. In Chapter IX the reader will find an explanation of what should be entered in each space of this form.

This statement of total income having been made, the estimation of the amount of tax payable in the case of individuals is ascertained by applying the following three rules.

Rule 1 takes the income, arrived at as shown in the preceeding chapters, and from it deduces what is called the "*assessable income.*" It will be shown that the assessable income is computed by deducting an earned income allowance of one-tenth from the earned income.

Rule 2 provides for deductions to be made from the assessable income, in order to arrive at the "*taxable income.*" The deductions would include the allowance to married persons, the allowance to other persons, allowances in respect of children and dependent relatives, etc.

Rule 3 deals with the rates at which the taxable incomes is to be charged.

The above rules will now be given in detail.

RULE 1

To ascertain the assessable income, reduce what would otherwise be the amount of the assessment by one-tenth of the earned portion of the income; provided that the deduction must not in the case of any individual exceed one-tenth of £2,000, i.e. £200 deduction. No such allowance is in any circumstances allowed in respect of unearned income (which is now called "investment" income).

EXAMPLE 1.—A's total income consists of £500 from investments and £1,000 from the directorship of a company.

His assessable income is £1,500, less one-tenth of £1,000 = £1,400.

EXAMPLE 2.—B is a clerk earning £200 a year. His wife is a dressmaker earning £150 a year, and her annual income from investments is £50. The aggregate income is £400, from which one-tenth of £350 (£200 + £150) is deducted, leaving £365 as the assessable income.

EXAMPLE 3.—C is a managing director whose remuneration is £5,000 per annum. He derives an annual income from unearned sources amounting to £1,500, and his wife derives £3,500 from investments also. The total income is £10,000, and the deduction in respect of C's earned income is *not* £500, but £200, the maximum allowance conceded under the Act. C's assessable income is therefore £9,800.

RULE 2

To ascertain the taxable income make the relevant deductions from assessable income, in respect of the personal allowance, the marriage allowance, and the allowances for children and dependent relatives.

These allowances are dealt with below *seriatim*.

The Personal Allowance.

A personal abatement of £135 is granted to every individual other than a husband whose wife is living with him. The allowance applies to widowers, widows, bachelors, and spinsters.

Example.—D is a single man earning £250 a year. His assessable

income is therefore £225 (£250 less one-tenth). His taxable income is £90 (£225 less the abatement of £135).

The Marriage Allowance.

(*a*) *Any individual whose wife is living with him for the year of assessment is granted a deduction of* £225.

EXAMPLE.—E is a married man whose total income (all from investments) is £270. His assessable income is therefore £270, and his taxable income £45 (£270 less the marriage allowance of £225).

(*b*) *Where the total income of an individual includes earned income of his wife, the allowance of* £225 (*under* (*a*) *above*) *may be increased by nine-tenths of the first* £50 *of his wife's earned income.*

The effect of this provision is to grant a husband exemption from tax on the first £50 of his wife's earned income. This is made clear in the three following examples—

EXAMPLE 1.—F earns £300 a year, and his wife £30. F's assessable income is therefore £297 (£330 less one-tenth). From this £297 he is allowed £225 *plus* nine-tenths of his wife's earned income, viz., £27. His taxable income becomes £45. F has therefore received relief on one-tenth of his wife's income in the calculation of the assessable income, and also relief on nine-tenths of that income in the calculation of the taxable income. In other words, he has been exempted from tax on the whole £30 wife's earned income.

EXAMPLE 2.—G earns £300 and his wife £50. Proceeding as above, the assessable income will be £350 reduced by one-tenth, *i.e.* £315; the taxable income will be this sum reduced by £225 *plus* nine-tenths of £50. G has hence been exempted from tax on one-tenth of his wife's income and also on nine-tenths of that income, *i.e.*, on the whole of the £50.

EXAMPLE 3.—H earns £320 and his wife £80. H's assessable income is £360 (£400 less £40). From this amount of £360 he is allowed a deduction of £225 *plus* £45, the maximum allowance granted in respect of wife's separately earned income. In this case H has received relief in respect of his wife's income to the extent of £8 (one-tenth of £80), and also of £45—a total of £53. This

represents exemption from tax on the first £50 of his wife's income, and relief in respect of one-tenth of the remaining earned income (£30).

Children.

A claimant who proves that he has (living at the commencement of the year of assessment) any child who is under 16 years at the beginning of the year, or any child who is 16 years of age or more but who receives full-time instruction at an educational establishment, is allowed a deduction of £36 in respect of one such child and a deduction of £27 in respect of every other such child.

The expression "child" includes a step-child, an illegitimate child whose parents have married since its birth, and (where no one else claims the allowance) any other child maintained by the claimant.

No deduction may be allowed where the child has income in his own right exceeding £40 a year. (Income from scholarships, bursaries, etc., is not to be regarded as income for this purpose.)

In cases of doubt as to the educational instruction of a child of 16 or over, reference may be made by the Commissioners of Inland Revenue to the Board of Education (in England and Wales), the Scottish Education Department (in Scotland) and the Lord Lieutenant (in Ireland).

EXAMPLE.—J's assessable income is £340 per annum. He is married and has four children. Two of the children are under 16, one is 18 but receives full-time instruction at a Technical Day College, and the other is 15 years of age, but is at work and earns £50 per annum.

From his assessable income of £340, J is granted a marriage allowance of £225, and allowance in respect of three children, viz., £36 in respect of the first child and £27 in respect of each of the other two. No allowance is granted in respect of the child who earns £50.

The claimant's taxable income is therefore £25 (£340 less the allowances of £225, £36, £27, and £27).

Relative Taking Charge of the Children of a Widower or Widow.

An individual proving that he is a widower and that for the year of assessment a female relative (of his or of his deceased wife) resides with him for the purpose of having the charge of any child of his

(as below), is allowed a deduction of £45. This deduction is also allowed if the claimant proves that he has no such relative able or willing to take such charge, and he has employed some other female for the purpose.

The deduction is not allowed unless the claimant can prove that no other individual is granted an allowance in respect of the relative in question, and that if the relative is a married woman living with her husband, the husband has not been granted the marriage allowance in respect of her.

The expression "child" means a child in respect of whom a deduction is allowed as on page 41.

The section also applies to a widow having residing with her for the above-mentioned purpose a female relative of her own or of her deceased husband.

The expression "relative" includes any person of whom the person claiming a deduction had the custody and whom he maintained at his own expense while that person was under the age of 16 years.

EXAMPLE.—K is a widower with three children under 16. His unmarried sister takes charge of his children. K's assessable income is £580 per annum.

K is allowed as a deduction from £580 the personal allowance of £135, £45 in respect of his sister, and £90 in respect of the children. His taxable income is therefore £310 (£580 less £270).

Relative Taking Charge of the Brothers or Sisters of an Unmarried Individual.

An individual who proves that he is unmarried and has living with him either his mother (being a widow or living apart from her husband), or some other female relative, for the purpose of having the charge of any brother or sister of his in respect of whom the children's allowance may be granted (page 41), and that he maintains the mother or relative at his own expense, is allowed a deduction of £45, provided that no other person is allowed a deduction in respect of the same person.

The expression "relative" includes any person of whom the person claiming a deduction had the charge and whom he maintained at his own expense while that person was under 16 years of age.

EXAMPLE.—L is a spinster earning £220 per annum, with a sister aged 5, and a female relative residing with her. Both are maintained at L's expense, and the relative has the charge and care of the child.

L's assessable income is £198 (nine-tenths of £220 as it is earned), from which she may claim as a deduction the personal allowance of £135, an allowance of £45 for the relative, and an allowance of £36 for her sister. The allowances thus exceed the assessable income, and L is exempt.

Dependent Relatives Incapacitated by Old Age or Infirmity.

An individual proving that he maintains at his own expense—

(i) Any relative of his, or of his wife, who is unable by reason of old age or infirmity to support himself or herself,

or (ii) his or his wife's widowed mother,

is allowed a deduction of £25 provided that such dependent's income does not exceed £50 per annum.

The provision applies to a female claimant similarly maintaining an incapacitated relative of her own or of her husband.

In the case of two or more persons maintaining such relative, the deduction is to be apportioned between them according to their respective contributions to the maintenance of the relative.

The expression "relative" includes any person of whom the person claiming a deduction had the charge, and whom he maintained at his own expense while that person was under 16 years of age.

A deduction of £25 is also made in the case of a claimant, who owing to old age or infirmity, is compelled to depend on the services of a daughter resident with and maintained by him or her.

RULE 3

The first £225 of the taxable income of an individual (arrived at as under Rule 2 above) is to be charged at half the full rate,[1] the remainder at the full rate.[1]

EXAMPLE.—M's taxable income (after making all allowances) is £500 for 1922–23.

His tax liability is	£225	@ 2s. 6d.	= £28 2 6	
	£275	@ 5s. 0d.	= £68 15 0	
	£500	Total	£96 17 6	

[1] The full rate was 6s. in 1921/22 and 5s. in 1922/23.

SPECIAL CIRCUMSTANCES

(I) *Non-residents.* (II) *Husband and Wife Claiming Separately.*

I. Non-residents.

None of the allowances referred to under the above rules (*i.e.* relief in respect of earned income, personal allowance, marriage allowance, allowances for children and dependent relatives), nor the allowance in respect of life assurance premiums (see Chapter VI) may be granted in the case of an **individual not resident in the United Kingdom** unless he or she is within the following classes—

Persons not resident in the United Kingdom, but who may nevertheless make claims to allowances :—

British subjects ;

Individuals in the past or present employment of the Crown ;

Individuals in the service of any Missionary Society ;

Individuals in the service of any native State under the protection of the British Crown ;

Residents in the Isle of Man or the Channel Islands ;

Individuals abroad for the sake of health who were previously resident in the United Kingdom ;

Widows whose late husbands were in the service of the Crown.

It is provided, however, that even in the case of the above exceptional non-residents, none of the reliefs enumerated under Rules I, II, and III above may be given so as to reduce the amount of tax payable by the individual below a certain minimum. That is to say, the exceptional classes of non-residents may claim allowances, etc., from British-taxed income as if they were residents, but any such claim will be restricted so as to leave in charge a minimum of tax calculated as follows.

One calculates a hypothetical amount of tax, which would be charged if the total income from all sources of the claimant (including income arising in the United Kingdom and income arising elsewhere) were taxed at the rates, less allowances, applicable to residents. The minimum referred to above must be in the same proportion to the said hypothetical amount of tax as the British taxed income is to the said total income from all sources.

Representing the minimum tax payable as A ; the tax payable if the total income from *all* sources were subject to United Kingdom

tax as B; the income actually chargeable to tax in the United Kingdom as C; and the total income from *all* sources as D, the relationship these amounts must bear to one another may be expressed simply in the formula—

A : B : C : D

(*i.e.* A bears the same proportion to B that C bears to D).

The following example will show the effect of this complicated provision.

EXAMPLE.—P is an unmarried individual residing in the Channel Islands. In 1921–22 he derives £560 from investments in the United Kingdom, and £1,120 from investments elsewhere. He claims relief from tax deducted at the source from his United Kingdom dividends.

It is first of all necessary to discover whether the allowance of reliefs will bring his United Kingdom tax liability below the minimum stipulated by the Act. Tax on £560 investment income (after allowing the personal abatement and charging the lower rate of tax on the first £225 of taxable income) is £93 15s.

Using the formula set out above,

B (tax on total income from all sources less allowance £135) = tax on £1,680 (*i.e.* £1,120 + £560) = £429 15s.

C (income actually chargeable to tax in United Kingdom) = £560.

D (total income from *all* sources) = £1,680 (*i.e.* £1,120 + £560).

If A is the required minimum, the relationship between A, B, C, and D is —

£1,680 : £560 :: £429 15s. : A

In other words A (the minimum) must be one-third of £429 15s., *i.e.* £143 5s. (because £560 is one-third of £1,680). This sum is greater than £93 15s., and P's liability is therefore assumed to be £143 5s. As tax was deducted from £560 at 6s. (£168), P may claim repayment of £24 15s. (£168 less £143 5s.).

II. Husband and Wife Claiming Separately.

If, between 6th November preceding the year of assessment and 6th July within that year, either a husband or a wife makes application to be separately assessed, each may be dealt with separately

in respect of his and her own income. It should be noted that the application in question *cannot serve to reduce the amount of tax otherwise payable.*

In other words, if a husband and wife are separately assessed, the reliefs and allowances due are not duplicated, but *apportioned between them.*

The rules by which the reliefs and allowances due are apportioned between the husband and wife are as follows—

(*a*) The benefit of the earned income relief is given in proportion to the respective *earned* incomes of husband and wife.

(*b*) The benefits of the deductions from assessable income (viz., personal allowance, marriage allowance, and allowances for children and dependent relatives), and the reduced rate of tax on the first £225 of taxable income are given in proportion to the respective *assessable* incomes of husband and wife.

(*c*) The benefits of the deductions in respect of an adopted child or dependent relative are given to the person supporting the child or relative.

(*d*) The deduction in respect of life assurance premiums is given to the person paying them.

EXAMPLE 1.—(A simple case.) Q earns £1,777 per annum and his wife £222. The wife claims to be separately assessed.

Q's assessable income is £1,600 (£1,777 less £177), and his wife's £200 (£222 less £22). The marriage allowance is £270 (£225 + £45 in respect of wife's earned income) and this, according to Rule (*b*) above, is apportioned as follows—

As Q's assessable income (£1,600) is eight-ninths of the joint assessable income of husband and wife (£1,800), Q is given eight-ninths of the total marriage allowance. Q's proportion of the allowance of £270 is, therefore, £240, his wife being allowed the remaining £30. The respective taxable incomes are, therefore, £1,360 (£1,600 less £240) and £170 (£200 less £30). It will be noted that if their incomes had been aggregated tax would have been payable on £1,530, corresponding to the sum of £1,360 and £170.

EXAMPLE 2.—(A more complicated case.) R has an earned income of £1,800 and his wife £600. R has unearned income £200.

They have three children of their own, the husband has adopted another child, and the wife supports her invalid mother. They claim to be separately assessed. The assessments may be tabulated as follows—

		Husband. £		*Wife.* £	
Total Income		2,000		600	
Less Earned Income Relief		150 (*i.e.* $\frac{1800}{2400} \times 200$)		50 (*i.e.* $\frac{600}{2400} \times 200$)	
Assessable Income		1,850		550	
Less—					
Marriage Allowances (£225 + £45)	208 (*i.e.* $\frac{1850}{2400} \times 270$)		62 (*i.e.* $\frac{550}{2400} \times 270$)		
Children's Allowance	69 (*i.e.* $\frac{1850}{2400} \times 90$)		21 (*i.e.* $\frac{550}{2400} \times 90$)		
Adopted Child supported by R	27				
Dependent Relative supported by R's wife			25		
		304		108	
		1,546		442	
Duty for 1922/3 — Tax at 2s. 6d. on		173 (*i.e.* $\frac{1850}{2400} \times 225$)		52 (*i.e.* $\frac{550}{2400} \times 225$)	
Tax at 5s. 0d. on		1,373		390	
		£1,546		£442	

If the incomes are aggregated (and not assessed separately) it will be found that the aggregate net taxable income is £1,988, which corresponds to the sum of £1,546 and £442.

CHAPTER VI

LIFE ASSURANCE ALLOWANCE

How the Allowance is Made—Rates—Rules for Ascertaining Admissible Premiums—Assurances, etc., made after 22nd June, 1916—War Insurance Premiums.

In the previous Chapter we have explained the method of arriving at the net taxable income (i) by reducing earned income (up to £2,000) by one-tenth and (ii) by deducting from the remainder (called assessable income) the personal or the marriage abatement, and the reliefs for children and relatives. One important allowance has not yet been dealt with, viz., the allowance for life assurance premiums. The matter requires separate treatment because the assurance relief is made, not in the process of determining net taxable income, but by way of deduction from the amount of tax computed on such income. This means that the net taxable income is charged at two rates, but the assurance relief is allowed at one rate determined by the amount of the total income from all sources (before deductions).

There are restrictions as to the *amount of the premiums* in respect of which the allowance may be made. These will be explained in due course, but first we shall show how the relief is given in respect of such amount of premiums as proves to be admissible.

The relief is tax on this amount at a rate fixed by circumstances as follows—

Rates of Tax at which Relief is Granted.

(i) **Half the full rate**

(*a*) In the case of assurances or deferred annuity contracts made after 22nd June, 1916, however large the income is ;

(*b*) In the case of other assurances, where the aggregate income does not exceed £1,000.

(ii) **Three-quarters of the full rate** when the aggregate income exceeds £1,000 but not £2,000, but only in respect of assurances or deferred annuity contracts made on or before 22nd June, 1916.

(iii) **The full rate** when the aggregate income exceeds £2,000,

but only in the case of assurances or deferred annuity contracts made on or before 22nd June, 1916.

Where the aggregate income just falls short of £1,000 or £2,000, so that the allowance is at a lower rate than it would have been if the income had not fallen short of those limits, the allowance will be computed as above, but will be increased by tax at one-quarter of the full rate on the admissible premiums *less* tax at the full rate on the amount by which the income falls short of the limit.

E.g. total income, £997, admissible premiums £54. The normal allowance would be £54 at 2s. 6d. = £6 15s. The additional allowance would be £54 at 1s. 3d. in the £ (= £3 7s. 6d.) *less* £3 at 5s. in the £ (= 15s.). The total allowance will therefore be £9 7s. 6d. (See Example 5 below for a more complicated example.)

How to ascertain the Amount of Admissible Premiums for which Allowance may be made at the Rates stated above.

Rules regarding all assurances, etc., whenever taken out.

(1) The premiums must be in payment of annual sums agreed to be paid under a life insurance policy or under a contract for a deferred annuity.

If a person is liable under an Act of Parliament or under the terms or conditions of his employment to make any payment, or to have any sum deducted from his salary, in order to secure a deferred annuity to his widow or a provision for his children after his death, the sum paid or deducted is within the allowance.

A premium paid under a double endowment assurance policy, which secured £100 if the insured died before a certain date and £200 if he were alive on that date was held to be within the allowance. (*Curtis* v. *Gould*, 1913.) A lump sum payment is not admitted. See under LIFE ASSURANCE in the second part of this book.

(2) The life insured or in respect of which the annuity is payable must be that of the claimant to the allowance (who pays the premiums) or that of the claimant's wife.

(3) The contract must have been made with a company carrying on business in the United Kingdom or legally established on any British possession, with the National Debt Commissioners, or with any Friendly Society legally established under the Friendly Societies Acts (where premiums are paid for shorter periods than three

months, the Inspector of Taxes may demand a certificate signed by an officer of the Society, specifying the aggregate amount payable as premiums throughout the year) (*I.T.A.*, 1918, *s.* 32).

(4) The premiums for which the allowance made must not exceed one-sixth of the total income (during the war one-sixth of 1913/14 income if advantageous); such total income should be reckoned according to the rules of the Acts, *i.e.* it should represent the aggregate of the claimant's income assessable directly on him and of the income from which tax is deducted before its receipt, less charges on the income.

(5) In the case of any single policy which assures a certain sum at death, no allowance may be made in respect of that part of the premium which exceeds 7 per cent. of the amount so assured. All bonuses, participation in profits, etc., are to be ignored, as also are all benefits secured other than the payment at death.

(6) In the case of a policy which does not secure a capital sum at death, no allowance may be made in respect of that part of the premium which exceeds £100.

(7) The allowance is restricted to sums paid by the person assessed within the year of assessment. Where an insured person paid a part only of the nominal amount of the premium, leaving the other part as a debt due to the company, the allowance was held to extend to the former part only. "In point of fact it is a question of the extent by which his income was diminished during the year by the payment." (Lord Robertson in *Hunter* v. *Attorney-General*, 1904.) A commutation payment to an assurance company in consideration of a reduction of premiums has been held not to be within the allowance. (*Turton* v. *O'Brien*, 1919.)

(8) Where an admissible premium is paid by a wife out of her separate income an allowance will be made to her, computed as if the premiums were paid by her husband.

(9) The allowance may be claimed by repayment within three years after the expiration of the year in which the premiums in question were paid. (*I.T.A.*, 1918, *s.* 41.)

(10) It is specifically enacted that no relief from super-tax shall be given (from 1916) as regards any insurance or contract for a deferred annuity.

Additional Rules Regarding Assurances or Deferred Annuity Contracts made after 22nd June, 1916.

(11) Unless a capital sum is secured at death (alone or with other benefits) no allowance whatever can be made.

(12) In the case of a policy of deferred insurance, no allowance may be made in respect of premiums or payments payable during the period of deferment.

(Policies or contracts made in connection with a superannuation fund or *bonâ fide* pension scheme are not within restrictions (11) and (12).)

(N.B.—As explained above, the allowance in respect of such assurances or contracts may not be given at a greater rate than half the standard rate of tax.)

Rules regarding War Insurance Premiums.

(13) This expression means any additional premium or other sum paid in order to extend an existing life assurance policy to risks arising from war or service abroad, and any part of any premium or other sum paid in respect of a life assurance policy covering those risks, or either of them, which appears to the Commissioners to be attributable to those risks or either of them.

(14) As regards these premiums the following restrictions do not apply—

(*a*) The restriction to *annual* premiums (Rule (1) above).

(*b*) The restriction to one-sixth the aggregate income (Rule (4) above).

(*c*) The restrictions referred to above under rules (5) and (6).

Examples Illustrating the Above Provisions.

EXAMPLE 1.—A's total income (unearned) is £500. He pays £40 per annum on a life assurance policy for £1,000 taken out before 1916. His taxable income (if he is unmarried) is £365, and the tax on this amount is £63 2s. 6d. From this amount he is allowed relief of 2s. 6d. on £40, or £5. His tax liability is therefore £58 2s. 6d.

EXAMPLE 2.—B's total income (unearned) is £1,500. He pays £150 per annum on a deferred annuity, the contract for which was made before 1916. He is a married man with three children.

B's taxable income is £1,185, tax on which is £268 2s. 6d. He is allowed relief on £100 at 3s. 9d. in the £, or £18 15s., his liability being therefore £249 7s. 6d. He is not allowed relief on the whole

£150, £100 being the maximum annual premium on which relief is allowed in respect of contracts for deferred annuities. (Rule (5) above.)

EXAMPLE 3.—C's total income is £2,400. He pays £500 per annum on a life assurance policy taken out before 1916. As the premiums exceed one-sixth of the total chargeable income (Rule (4) above), C can only claim relief on £400. The allowance is therefore £400 at 5s. in the £ = £100.

EXAMPLE 4.—D, whose total income (unearned) is £1,200, took out two policies in 1918. One secured a capital sum in the case of his death, the annual premiums being £50, and the other provided for a deferred annuity for his wife, the annual premium being £60.

D can claim relief in respect of the life assurance premiums only, deferred annuity contracts made since 22nd June, 1916, being outside the allowance (Rule (11) above). Furthermore, the relief will be £50 at 3s. and not 3s. 9d., although D's income exceeds £1,000, the former rate being the statutory maximum.

EXAMPLE 5.—E is a married man with a total income of £995, and he pays £60 a year on a life assurance policy. His taxable income is £770 (£995 less £225), and tax thereon is £164 7s. 6d. Assuming there were no relieving section in the Act to meet the case of income near the £1,000 and £2,000 limits, E would be allowed relief on £60 at the lowest rate of 2s. 6d., *i.e.* £7 10s. His net liability would then be £158 17s. 6d. Had his income been £1,001, however, his tax liability would have been £165 17s. 6d. less the assurance relief £11 5s. (£60 at 3s. 9d.) or £154 12s. 6d. E would thus actually have to pay more if his income were £995 than if it were £1,001. To meet this anomaly, the provision stated above under the heading "Rates" is applied. The effect of this is to regard the income as exceeding the limit for the purpose of life assurance relief, but to set off against the relief thus obtained tax at the full rate (5s. in the £) on the amount by which the income falls short of the limit. Thus, the relief granted to E when his income is £995 is as follows. Instead of the allowance being calculated at the 2s. 6d. rate, it is calculated at the 3s. 9d. rate (as if his income exceeded £1,000). But from this amount (£11 5s.) there must be deducted tax at the rate of 5s. on £5 (the amount by which his income falls short of £1,000). That is, the relief is £10 and E's final liability is £154 7s. 6d.

CHAPTER VII

DOMINION INCOME TAX RELIEF

From 1920/21 relief is granted to persons who are liable to suffer United Kingdom income tax and Dominion income tax in respect of the same income. (For the relief allowed prior to 1920/21 see Appendix.)

The following are the main provisions of the Finance Act, 1920—

(1) United Kingdom tax is to be charged on the full Dominion income before diminution by the deduction of Dominion taxes, *except that,* where United Kingdom relief is smaller than the Dominion tax by reason of the Dominion granting no corresponding relief, the excess of the Dominion tax over the United Kingdom relief is to be deducted from the gross Dominion income before United Kingdom tax is charged thereon.

(2) The rate of relief allowed from the United Kingdom tax so charged is either of the two following rates—

(*a*) **If the Dominion rate does not exceed one half of the appropriate United Kingdom rate it is the Dominion rate ;**

(*b*) **In any other case it is half the appropriate United Kingdom rate.**

The " appropriate rate " here referred to is the rate at which the claimant has borne or is liable to bear British income tax for the year of claim. The income-tax rate is calculated by dividing the actual tax payable by the taxable income before the former has been reduced by any life assurance allowance. The super-tax rate is calculated by dividing the actual super-tax by the total income as estimated for super-tax purposes. Where the claimant is liable to super-tax the appropriate rate is the sum of the income tax and super-tax rates for the year of claim.

(3) The relief is to be given by repayment unless the taxpayer shall have " established his claim " before the 1st January in the fiscal year concerned.

(4) Where a person entitled to Dominion Income Tax relief has been allowed such relief at a higher rate than is applicable to his particular case (*e.g.* where the rate of relief allowed to a company

from which he draws dividends is greater than the relief due to him personally) the matter will be rectified by an adjustment of the rate of tax thereon due on the first £225 of his taxable income (see page 43).

(5) The Board of Inland Revenue may make regulations prescribing *inter alia* the year which in relation to payment of Dominion tax is to be taken to correspond with the year in relation to United Kingdom tax.

Example 1.—AB is a British resident receiving income from which a Dominion tax of 2s. in the £ has been deducted before receipt. The gross income has been returned by AB for assessment to British income tax and the appropriate rate at which he should pay British tax is calculated to be 4s. 7d. As this is more than twice the Dominion rate, the relief allowed will be the latter, *i.e.* 2s. in the £ on the income doubly taxed.

Example 2.—CD is a British resident receiving income from which Dominion tax at the rate of 3s. 6d. in the £ has been deducted. CD's appropriate rate of tax is 3s. in the £. As the appropriate British rate is less than half the Dominion rate, the relief granted will be one-half the former, *i.e.* 1s. 6d. in the £.

CHAPTER VIII

THE INSTALMENT SYSTEM AND QUARTERLY ASSESSMENTS

Rules governing Payment by Instalments—Income Tax Year—Reliefs allowed—Repayments.

PAYMENT BY INSTALMENTS.—The rules governing the payment of tax by instalments may be set out conveniently in tabular form as follows—

Schedule.	*One payment on 1st January.*	*Two payments on 1st January and 1st July.*	*Four quarterly instalments.*
A		In all cases, except concerns under Schedule A, No. III (mines, quarries, etc.), as regards which refer to Schedule D below.	
B	All cases not described in the next column.	Individuals and firms who occupy the lands for purposes of husbandry only.	
D and Schedule A, No. III	All cases not described in the next column, including— all companies, societies, bodies, etc. ; all persons charged for unearned income, such as interest, foreign income, etc.	(1) Any individual or firm who carries on any trade, manufacture, adventure or concern in nature of trade. (2) Any individual or firm who exercises any profession or vocation. (3) Any employees not described in the next column.	All weekly-wage earners employed by way of manual labour.
E		All cases not described in the next column.	do.

QUARTERLY ASSESSMENTS.—These provisions concern the following class of employees only, viz., weekly wage-earners employed by way of manual labour, and they refer only to their wages arising from that employment. Such employees must (to be included in the term) receive wages which are calculated by reference to the

hour, day, week, or any period less than a month (at whatever intervals the wages may be paid), or must receive wages (however calculated) which are paid daily, weekly, or at any less interval than a month.

The provisions do not apply to persons employed as clerks, typists, draftsmen, or in any other similar capacity. Any question as to the standing of any employee as regards this matter is required to be settled by the Board of Inland Revenue and the District Commissioners, jointly. Their determination is final and conclusive.

The requirement is that persons concerned shall be assessed and charged to Income Tax in respect of their wages in each quarter. For purposes of employers' returns, and of the assessment and collection of the duty, each quarter becomes a complete unit of time, just as the full year has previously been. All reliefs and allowances are still to be made with reference to the earnings of the four quarters which make up the fiscal year.

The persons assessed are required to make a return for the first quarter of the year (quarter ended 5th July) and for any other quarter if the Inspector of Taxes so desires.

The duties are assessed by the Inspector of Taxes, but appeal will lie to the District Commissioners of Income Tax. The assessments may be made either at the place of employment or at the employee's own residence.

The tax may be recovered as a civil debt as well as by the methods ordinarily applicable to Income Tax.

The enactments in question appear in the *Income Tax Act*, 1918, *ss.* 22, 131, 157, 169 ; *Schedule D, Nos. I and II, Rule* 2.

The Income Tax Year.

The Income Tax Year 1920/21 runs from 6th April, 1920, to 5th April, 1921, and the four quarters end respectively on 5th July, 1920 ; 5th October, 1920 ; 5th January, 1921 ; and 5th April, 1921.

Reliefs, Deductions, and Rates.

[For further particulars and illustrations see Chapters V and VI.]

1. From the total income a deduction is allowed of one-tenth of the earned income. A wage earner earning £200 a year would

be allowed a deduction of £20, his assessable income being £180 (£45 per quarter).

2. From his assessable income an unmarried individual is allowed a personal abatement of £135 (£33 15s. per quarter).

3. A man whose wife lives with him is allowed a deduction of £225 (£56 5s. per quarter). Where the wife also has earned income, this marriage allowance may be increased by nine-tenths of the wife's earned income, but the addition must not be more than £45. Thus, a manual worker earning £360 a year whose wife earns £40 would be assessed as follows. The aggregate income of husband and wife is £400, and the assessable income £360 (£400 less one-tenth because it is earned). The deduction allowed is £225 (the standard marriage allowance) *plus* £36 (nine-tenths of £40 earned income of wife), *i.e.* £261. The quarterly assessment would hence be £90 (one quarter of £360) less allowances £65 5s. (one quarter of £261), viz., £24 15s. (to be charged at 2s. 6d. in the £).

4. A deduction of £36 is allowed for one child and £27 for every other. A man with three children would hence be granted a deduction of £90 (£22 10s. per quarter). Children under 16 and children who are 16 or over but receiving full-time instruction at an educational establishment are within the allowance.

5. A deduction of £45 (£11 5s. per quarter) is allowed to a widower in respect of a female relative of his or of his deceased wife (or sometimes a female other than a relative—page 42) who resides with him for the purpose of having the care of his children.

The allowance is also granted to a widow in respect of a relative of hers or of her deceased husband.

6. A deduction of £45 (£11 5s. per quarter) is allowed to an unmarried individual who supports and has living with him a widowed mother or female relative for the purpose of having the care of his brothers and sisters (if they are children for whom the children's allowance may be claimed).

7. A deduction of £25 (£6 5s. per quarter) is allowed to an individual proving that he maintains at his own expense his or his wife's widowed mother, or a relative incapacitated by old age or infirmity, whose income does not exceed £50. Conversely, the deduction is given to an incapacitated person maintaining a daughter who resides with and cares for him or her.

8. A deduction is allowed for any payments on account of tools, explosives, and similar expenses incurred exclusively for the purposes of the employment.

9. Up to 1921/22 inclusive, but not as from 1922/23, a deduction was made for—

(*a*) the actual additional cost of living away from home (up to a maximum of 2s. 6d. per day),

or (*b*) the actual cost of travelling to and from the place of employment, where, owing to the present exceptional conditions, mainly arising out of the war, a weekly wage-earner charged by quarterly assessment is employed at a considerable distance from his home and necessarily incurs exceptional expenses, either in lodging away from home or in travelling daily to and from his employment.

9. The taxable income arrived at (after deduction of the allowances from assessable income) is to be charged as follows. The first £225 is to be charged at 2s. 6d. in the £ and the remainder at 5s. in the £. For each quarter, therefore, the weekly wage-earner will be charged at the lower rate on the first £56 5s. of taxable income.

10. From the tax as estimated according to the preceding rules, a deduction is granted in respect of life assurance premiums paid on the life of the taxpayer or his wife. (Premiums paid on the life of children are not an admissible deduction.)

Such portion of contributions to a Trade Union or Friendly Society as is allocated to Death or Superannuation Benefits is within the allowance, but not a payment in respect of National Health or Unemployment Insurance. Payments or deductions made from salary under the terms of employment or Act of Parliament are also within the allowance.

Where the aggregate income does not exceed £1,000 the allowance is calculated at the rate of 2s. 6d. in the £ on premiums paid. Thus, if a wage-earner's taxable income (after all allowances) is £100, and he pays £10 per annum in respect of life assurance, his quarterly assessment will be tax at 2s. 6d. on £25 (£3 2s. 6d.), *less* tax at 2s. 6d. on one quarter of £10 (6s. 3d.), making a net quarterly liability of £2 16s. 3d.

Repayments.

It may occur that after tax has been paid for one or more quarters of the year, the taxpayer is found to have paid in excess of his liability. In such circumstances repayment can be claimed at the end of the year concerned on application to the Inspector of Taxes, or repayment due for one quarter may be set off against tax due for another quarter.

The procedure adopted in the latter case may be illustrated as follows—

1st	quarter:	*Wages*	£53;	Allowances	£49
2nd	,,	,,	£47;	,,	£49
3rd	,,	,,	£50;	,,	£49
4th	,,	,,	£57;	,,	£49

For the first quarter the wage-earner pays tax on £4. For the second quarter he is entitled to be repaid tax on £2, but this will be set off against the liability for the third quarter, which is tax on £1. The assessment for the third quarter will hence be discharged and the tax on £1 still over-paid will be carried forward and set off against the assessment for the fourth quarter, which is tax on £8. The assessment for the fourth quarter will hence be reduced to £7. (Overpayment may always be set right by a repayment claim if the taxpayer does not wish to await adjustment as above.)

Supposing that the wage-earner is still entitled to be repaid at the end of the year (5th April), repayment will be made on application to the Inspector of Taxes. The usual completion of repayment claim forms is not required in such a case.

CHAPTER IX

HOW TO MAKE RETURNS ON FORMS 1 AND 11 (PROFITS—SCHEDULE D)

Forms 1 and 11—Returns at Different Addresses—Page 2 must be completed—What to Include and What Not to Include—Other Spaces for Claims—Life Assurance—Exemption, Abatement, or Earned Income Relief—Children—Firms' Returns—Employees—By Whom Returns should be Completed.

THE forms on which the profits of companies, firms, partners, and single traders are required to be returned are well known. These are the buff-coloured forms with the variety of spaces and instructions. It is proposed to give, in this chapter, an analysis of the forms which should enable the taxpayer to make his return without difficulty. Specimens of the forms duly completed by a single trader, by a firm, by partners in the firm, and by the secretary of a company, will be found set in this book on tinted paper. The exact arrangement of matter set out in these official forms varies from year to year, but the specimens given adequately illustrate the contents of all forms and exactly illustrate how such forms should be completed.

Form No. 1 is intended for the return of the profits of firms, companies, corporations, and other body of persons.

Form No. 11 is intended for the return of the profits of individuals.

It may first be observed that no person is required by the authorities to make duplicate returns for the same year and in respect of the same source of income. The acts certainly authorize them to demand a return from each parish in which the taxpayer has a residence or a place of business, but this authority is used only for checking purposes. A form may be served on a person at each address with which he is connected. He is required to make a return of his taxable income from one address, and to send back the forms served at any other addresses with a declaration on each that he has made a return from a certain address (to be stated). The forms provide a space for this declaration. In explanation

of this and of the later contents of this chapter the reader should consult the specimen forms referred to above.

As regards the form which the taxpayer completes, it should be noted that its real object is to bring to his notice the section thereof printed on the second page. It is headed "**Statement of Untaxed Income for Assessment under Schedule D**" and the taxpayer *must* complete this part. He should either insert "None" therein or should give particulars of his income against the correct sub-heading. He should then sign the declaration that "In the foregoing statement I have given a full and true Return of the whole of the Income chargeable on me under Schedule D," adding his business and private addresses, and stating whether the return is made (on form No. 11) on his own behalf, or as trustee, agent, receiver, etc., or (on form No. 1) as precedent acting partner of a firm, as trustee, agent, etc., or as the officer of any corporation or company. If he wishes to be assessed by the special commissioners he will state so in the space provided above his signature.

The following sources of income should be included in this section.

(1) The profits of a trade, profession, employment, or vocation (as a general rule the average profits of the three preceding years) should be inserted as explained in Chapter III. (From 1922/23 all employments are assessed on the actual remuneration of the year and not on average, see under EMPLOYEES.)

(2) Bank interest or other interest of money not taxed by deduction, and discounts (*i.e.*, discounts which are really interest—not mere trade discount written off the price of an article for prompt payment. The amount which accrued (or the bank interest credited) in the preceding year should be stated, without any deductions whatsoever. (See page 65 as regards Interest on Government Stock.)

(3) Income from colonial and foreign securities, where the duty is not deducted by the agent who makes payment thereof. This sub-heading includes foreign mortgages, foreign debentures, etc.

Since 1914/15 the amount which *arises*, irrespective of receipt in this country, should be returned. The sub-heading is usually further divided so that the taxpayer may show whether the income in question is derived from foreign or colonial property, securities, etc.

(4) Income from colonial and foreign possessions (including shares in foreign trading companies, foreign property owned by the taxpayer, etc. Since 1914/15, the income arising from *stocks, shares, and rents* must be returned, according to the average of the past three years, whether or not received in this country. Income from *other colonial and foreign possessions* is returnable on the three years' average receipts in this country. The sub-heading is usually further divided so that it may be shown whether the income returned is derived from British possessions or foreign countries.

(5) Income from property or profits not falling under any of the foregoing heads, *including* profits of letting furnished houses or lodgings, literary profits, not being the proceeds of a trade or profession, and certain miscellaneous profits; *not including* income arising out of any of the sources indicated below.

(6) The amount claimed as a deduction in respect of the depreciation of plant and machinery.

The following income is *not* to be included on this page—

(1) Income arising from land or other property; also the profits of mines, quarries, iron works, etc., assessable under Schedule A, No. III. A special form is provided for use in these cases.

(2) Annuities, dividends, etc., payable out of the public revenue of the United Kingdom unless paid without deduction of tax; income arising abroad from which tax has been deducted.

(3) Income arising from an employment under the Crown or under any public body, company or society. Such income is assessable under Schedule E and a special form is provided. Similarly, income assessed quarterly (page 55).

(4) Income from which tax has been deducted before it is received by the person entitled thereto (*e.g.* dividends, mortgage interest, etc.).

FORM No. 1.

Declaration by the Precedent Acting Partner in a Firm (page 3 of Form 1). If none of the partners is resident in the United Kingdom the return must be made by the manager or agent in receipt of the profits. The form provides for the insertion of the following particulars—

(1) Full description or style of the firm. This information should be given in every case of partnership.

(2) Particulars of all annuities, interest on loans, and other annual charges (excluding life assurance premiums and payments to partners) payable out of the profits to be assessed. The amounts to be given are those payable in the year of assessment, irrespective of payments made in any past years. This information is required in order that the appropriate reliefs and allowances may be granted to the individual partners.

(3) Particulars of the share of each partner of the assessable profits of the firm after deducting the payments included under the previous sub-headings. The totals of the amounts included under sub-headings 2 and 3 will equal the amount of the firm's return in the " Statement of untaxed income for assessment under Schedule D " on page 2. This information is required in order that the appropriate reliefs and allowances may be granted to the individual partners.

The returns required from firms are undoubtedly more complicated than any others. Where further explanation is desired it will be found by reference to Specimen Returns, Nos. 2 to 8, in the next chapter.

FORM No. 11.

We must now deal with the spaces of Form 11 other than that on page 2 dealt with above. *These are provided so that the taxpayer may make claims to any allowances to which he is entitled.* The allowances which may be claimed are set forth in Chapters V and VI. On page 3 a statement is required of the total income from all sources, less charges. It should be completed in the following manner.

(1) Insert the amount of the income received (estimated in each case as shown below) in the spaces provided. Towards the foot of the form insert particulars of any ground rent, annuities, interest, etc., paid. If there is not sufficient room on Form 11, attach a sheet of paper containing details and carry the totals only to the form.

(2) State " None " in each space descriptive of income which the taxpayer does not possess. If no ground rent, annuities, interest, etc., are paid state " None " against these items. The form will be returned if this instruction is not complied with.

(3) Sign the declaration at the foot, *i.e.* that " I declare that the

above statement contains a full, just and true account and return of the *whole of my income from every source whatsoever* for the year." It should be observed that the taxpayer must include every source of income belonging to himself or to his wife, whether taxed before receipt or not. Also that he must make no deductions in respect of his wife, life assurance premiums, children, etc. These allowances must be claimed by completing the spaces provided ; the deductions will be made by the authorities in the official books. It is extremely inadvisable to omit any sort of income for any reason whatsoever ; if the taxpayer is uncertain as to the amount receivable and cannot make a reasonable estimate he should state his difficulty on the form. Severe penalties may be imposed for an incorrect claim whether careless or intentional. The various spaces should be completed as follows—

(*a*) *From Trade, Profession, Employment, or Vocation.* When the person completing this page has already inserted the amount of his profits on page 2, he should insert that amount here also (after deducting any allowance for wear and tear claimed on page 2). When the person completing page 3 is a partner in a firm whose profits have been returned in one sum on the firm's form, he should insert the amount which has appeared against his name on the firm's return.

(*b*) *From any Public Office or Employment not Entered above.* This space is provided for fees earned by directors of public companies or by any other persons holding offices under companies, societies, public bodies, or the Crown. The name and address of the companies, etc., should be stated and the amount expected to be received in respect of the employment during the financial year for which the claim is being made.

(*c*) *From Property including the Annual Value of the Property in the Claimant's own Occupation, belonging to himself or his wife.* State the address of each property and the amount of the nett assessment thereon under Schedule A, *i.e.* the amount on which tax is charged. If this is not known state the amount of rent receivable. No deductions should be made. Property being purchased through a building society or with the assistance of a mortgage is regarded as being owned by the taxpayer (see below as to ground rent, interest, etc.).

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 1

Return of a single trader who claims relief as a married man, and in respect of child and life assurance premiums.

5—(1521)

Section C. | **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

Attention is directed to the liability of a husband to include the income of his wife.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of *Milkman* carried on by *me* at *225 Royal Road, N.W.*	304	–	–
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits (*Savings Bank*)	4	–	–
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)..			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies..			
Interest arising from Securities of Foreign Governments, Corporations or Companies ..			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom..			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—			
Letting Furnished House at			
Other Sources (the particular source to be stated), viz.—			
the amount whereof is computed according to			
TOTAL ..	308	–	–
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL ..	308	–	–

General Declaration. | I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *11th* day of *May* 1922.

T. Jones — Signature.

225 Royal Road, N.W. 8 — Business Address.

do. — Private Residence.

Note.—A woman must state after her signature whether *Married*, *Widow*, or *Spinster*.

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom. } *On my own behalf*

Section D. | **CLAIM FOR ALLOWANCE OR DEDUCTION.**

The Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether Tax has been paid on it or not. The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
(*a*) From Trade, Profession, Employment, or Vocation— *Milkman*	304	–	–
(*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)— *Nil*			
(*c*) From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*) *16 and 17 Black Street, N.W. 8*	50	–	–
5 Rich Street, N.W. 8	30	–	–
(*d*) From the Occupation of Land— *Nil*			
(*e*) From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities, Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)— *Savings Bank Interest, untaxed*	4	–	–
(*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)— *Included above*			
Total ..	388	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank.* (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £	s.	d.
Ground Rent on *5 Rich Street* payable to *Royal Land Co.*	6	–	–
Mortgage or Loan— £300 at 5 % from *Royal Land Co.* on *5 Rich Street*	15	–	–
Annuities, payable to			
Patent Royalties, payable to			
Other Annual Charges (if any), payable to			
Total Charges ..	21	–	–
Total Amount of Income FROM ALL SOURCES less Charges ..	367	–	–

I declare that the above statement contains a full, just, and true account and return of the **Whole of my Income from every source whatsoever** for the Year ending the 5th day of April, 1923 estimated according to the Sections of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this *11th* day of *May,* 1922

Signed *T. Jones*

Private Residence *225 Royal Road, N.W. 8,*

A Woman must state after her signature whether *Married, Widow,* or *Spinster.*

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2. £	s.
Self	*London Assurance Co.*	3/2/1898	£200	3	–
Wife	" " "	7/7/1901	£100	2	–
			Total . .	5	

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. **If you are MARRIED and your wife is living with you, give the following particulars.**

Full Christian names of my wife, who is living with me *Sarah Anne*

Section G. **If you are a WIDOWER, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.**

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. **If you are an UNMARRIED PERSON and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.**

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance.
Surname.	Full Christian Names.			

Section J. **If you have any CHILDREN or step-children living and under the age of 16 years on 6th April, 1920, or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on Form No. 11—2A.)**

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1920.
Surname.	Full Christian Names.	Day.	Month.	Year.		
Jones	*Ellen Mary*	22	*June*	1914	*Latham, Kent*	

Section K. **If you maintain at your own expense any RELATIVE of yourself, or of your wife, who is INCAPACITATED BY OLD AGE OR INFIRMITY from maintaining himself or herself, and whose income from all sources does not exceed £50 a year, give the following particulars.**

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative, besides the claimant, contributes to the maintenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date *T. Jones* Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 1 (for Firms, Companies, etc.)

SPECIMEN RETURN

No. 2

The return of a firm with two partners.

Section A. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT OR VOCATION, viz.—			
The Trade, Profession, Employment, Vocation, or Business of *Stock Jobbers* carried on by *Adams & Brooks* at 119 *Angel Court, E.C.*	8,400	–	–
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)		*Nil*	
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies..		*Nil*	
Interest arising from Securities of Foreign Governments, Corporations or Companies ..			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom..			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom		*Nil*	
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule (the particular source to be stated), viz.—		*Nil*	
the amount whereof is computed according to			
TOTAL ..	8,400	–	–
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL ..	8,400	–	–

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon

under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire the assessment to be made by the

Given under my hand this 13*th* day of *May* 1922

A. Adams Signature.

119 *Angel Court, E.C. 2* Business Address.

Note.—A woman must state after her signature whether *Married, Widow,* or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. As precedent Acting Partner of a Firm;
or 2. As Trustee, Agent, Receiver or Factor, and for whom;
or 3. As the Officer of any Corporation, Company, or Society.

As precedent Acting Partner

Section B. **DECLARATION, IN THE CASE OF A FIRM, BY THE PRECEDENT ACTING PARTNER,**

OR BY THE AGENT IF NONE OF THE PARTNERS IS RESIDENT IN THE UNITED KINGDOM.

1. Full description or style of the Firm *Adams & Brooks*

2. Particulars of all annuities, interest on loans and mortgages, ground rents, patent royalties, and other annual charges payable by the Firm.

Interest on partners' own capital and salaries of partners are not to be included here but under head (3) *below.*

If there are no Charges, the word "NONE" should be inserted. It is not sufficient to leave this space blank

Nature of the Charge.	Amount payable for the current year.	Name of person to whom payable.	Address.
	£		
TOTAL £			

3. Particulars of the share of each partner in the net total profits of the Firm entered on page 2.

Names of the Partners at 6th April, 1922	Residences of the Partners.	State in each case whether "Sleeping" or "Acting" Partner.	Basis of Distribution of Profits under Partnership at 6th April, 1922	Amount of each Partner's share of the Profits.
				£
Arthur Adams	*The Nook, Stokebridge*	*Acting*	*Three-fourths*	6,300
Benjamin Brooks	*53 Park Mansions, N.W. 12*	*Acting*	*One-fourth*	2,100
			TOTAL £	8,400

I declare that I am[1] *precedent acting partner* of the Firm above described, and that the foregoing particulars are in every respect fully and truly stated according to the best of my judgment and belief.

[1] State whether precedent acting partner, or agent.

A. Adams Signature.

Section C. **DECLARATION TO BE MADE BY A FIRM NOT DOMICILED IN THE UNITED KINGDOM.**

I DECLARE THAT the firm of
is not domiciled in the United Kingdom.

Given under my hand this day of 19 .

Signature.

} Whether precedent acting partner or agent.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 3

The personal return of a partner who claims the marriage allowance and an allowance in respect of life assurance premiums.

Section C. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

Attention is directed to the liability of a husband to include the income of his wife.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of carried on by *Included in Firm's return* at			
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits	69	–	–
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies			
Interest arising from Securities of Foreign Governments, Corporations or Companies			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom		*Nil*	
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries		*Nil*	
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—		*Nil*	
Letting Furnished House at			
Other Sources (the particular source to be stated), viz.—			
the amount whereof is computed according to			
TOTAL	69	–	–
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL	69	–	–

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *13th* day of *May* 1922

A. Adams Signature.

119 Angel Court, E.C.2 Business Address.

The Nook, Stokebridge Private Residence.

Note.—A woman must state after her signature whether *Married, Widow* or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom.

On my own behalf

Section D. | **CLAIM FOR ALLOWANCE OR DEDUCTION.**

The Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether Tax has been paid on it or not. The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
(*a*) From Trade, Profession, Employment, or Vocation—	6,300	–	–
(*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)—			
(*c*) From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*)			
(*d*) From the Occupation of Land—			
(*e*) From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities, Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)— *Bank Interest (Untaxed)*	69	–	–
(*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)—			
Total ..	6,369	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank.* (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £ s. d.		
Ground Rent on payable to			
Mortgage or Loan— £ at % from on	*None*		
Annuities, payable to			
Patent Royalties, payable to			
Other Annual Charges (if any), payable to			
Total Charges ..			
Total Amount of Income FROM ALL SOURCES less Charges ..	6,369	–	–

I declare that the above statement contains a full, just, and true account and return of the **Whole of my Income from every source whatsoever** for the Year ending the 5th day of April, 1923, estimated according to the directions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this *13th* day of *May* 1922

Signed *A. Adams*

Private Residence *The Nook, Stokebridge*

A Woman must state after her signature whether *Married, Widow,* or *Spinster.*

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2. £	s.
Self	*Empire Assurance Co.*	6/3/1914	£10,000	520	–
Wife	*Providential* „ „	21/1/1904	£2,000	87	–
			Total . .	607	.

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. If you are **MARRIED** and your wife is living with you, give the following particulars.

Full Christian names of wife . . *Elizabeth Jane*

Section G. If you are a **WIDOWER**, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. If you are an **UNMARRIED PERSON** and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance.
Surname.	Full Christian Names.			

Section J. If you have any **CHILDREN** or step-children living and under the age of 16 years on 6th April, 1920, or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on Form No. 11—2A.)

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1920.
Surname.	Full Christian Names.	Day.	Month.	Year.		

Section K. If you maintain at your own expense any **RELATIVE** of yourself, or of your wife, who is **INCAPACITATED BY OLD AGE OR INFIRMITY** from maintaining himself or herself, and whose income from all sources does not exceed **£50** a year, give the following particulars.

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative, besides the claimant, contributes to the maintenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date 13/5/22 *A. Adams* Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 4

The personal return of a partner who claims earned income relief only.

Section B. | **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

Attention is directed to the liability of a husband to include the income of his wife.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of carried on by at	*Included in Firm's return*		
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)..			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies..		*Nil*	
Interest arising from Securities of Foreign Governments, Corporations or Companies ..			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom..			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—			
Letting Furnished House at			
Other Sources (the particular source to be stated), viz.—			
the amount whereof is computed according to			
TOTAL ..			
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL ..			

General Declaration. | I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *13th* day of *May* 1922

B. Brooks Signature.

Note.—A woman must state after her signature whether *Married*, *Widow*, or *Spinster*.

119 Angel Court, E.C.2 Business Address.

53 Park Mansions, N.W.12 Private Residence.

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom. } *On my own behalf*

ction C. | **CLAIM FOR ALLOWANCE OR DEDUCTION.**

e Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether ax has been paid on it or not. The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars ay be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
(a) From Trade, Profession, Employment, or Vocation—	2,100	–	–
(b) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)— *Nil*			
From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*) *Nil*			
(c) From the Occupation of Land— *Nil*			
From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities, Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)—			
Wife's Income, if not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)— *Nil*			
Total ..	2,100	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank. Life Assurance Premiums should not be entered here, but on page 4.)*	Annual Amount payable. £ s. d.
ound Rent on payable to	
ortgage or Loan— £ at % from on	
nuities, payable to	*None*
tent Royalties, payable to	
her Annual Charges (if any), payable to	
Total Charges ..	
Total Amount of Income FROM ALL SOURCES less Charges ..	2,100 – –

I declare that the above statement contains a full, just, and true account and return of the **Whole of my** ome from every source whatsoever for the Year ending the 5th day of April, 1923 estimated according to the ections of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this 13*th* day of *May*, 1922.

Signed *B. Brooks*

Private Residence 52 *Park Mansions, N.W. 12.*

A Woman must state after her signature whether *Married, Widow*, or *Spinster*.

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2
			Total . .	

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. If you are **MARRIED** and your wife is living with you, give the following particulars.

Section G. If you are a **WIDOWER**, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. If you are an **UNMARRIED PERSON** and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance
Surname.	Full Christian Names.			

Section J. If you have any **CHILDREN** or step-children living and under the age of 16 years on 6th April, 1920, or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on **Form No. 11—2A.**)

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1920.
Surname.	Full Christian Names.	Day.	Month.	Year.		

Section K. If you maintain at your own expense any **RELATIVE** of yourself, or of your wife, who is **INCAPACITATED BY OLD AGE OR INFIRMITY** from maintaining himself or herself, and whose income from all sources does not exceed **£50** a year, give the following particulars.

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative besides the claimant contributes to the maintenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date

Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 1 (for Firms, Companies, etc.)

SPECIMEN RETURN

No. 5

The return of a firm with three partners.

N.B.—This is a more complicated case than Specimen Return No. 2

8—(1521) 20 pp.

Section A. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDE SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the wor "None" should be entered in the money column, and the General Declaration shoul be signed.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT OR VOCATION, viz.—			
The Trade, Profession, Employment, Vocation, or Business of *Corn Merchants* carried on by *A. Worth & Sons,* at 6 *Barnet Avenue, N.5*	1,135	–	–
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:		*Nil*	
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies..			
Interest arising from Securities of Foreign Governments, Corporations or Companies ..			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom..		*Nil*	
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—		*Nil*	
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule (the particular source to be stated), viz.—		*Nil*	
the amount whereof is computed according to			
TOTAL..	1,135	–	–
Less: Amount claimed for Wear and Tear of Machinery and Plant which should *not* be deducted in arriving at the above figures.	10	–	–
NET TOTAL..	1,125	–	–

General Declaration.

I declare that in the foregoing statement I have given a full and tru Return of the whole of the Income chargeable upon

under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to th directions and rules of the said Acts. I desire the assessment to be made by the

Given under my hand this *17th* day of *May* 1922

A. Worth Signature.

Note.—A woman mu state after he signature whethe *Married, Widow* or *Spinster.*

6 *Barnet Avenue, N.5* Business Address.

STATE WHETHER THE RETURN IS MADE—

1. As precedent Acting Partner of a Firm;
or 2. As Trustee, Agent, Receiver or Factor, and for whom;
or 3. As the Officer of any Corporation, Company, or Society.

As precedent Acting Partner

Section B. **DECLARATION, IN THE CASE OF A FIRM, BY THE PRECEDENT ACTING PARTNER,**

OR BY THE AGENT IF NONE OF THE PARTNERS IS RESIDENT IN THE UNITED KINGDOM.

1. Full description or style of the Firm *A. Worth & Sons*

2. Particulars of all annuities, interest on loans and mortgages, ground rents, patent royalties, and other annual charges payable by the Firm.

Interest on partners' own capital and salaries of partners are not to be included here but under head (3) *below.*

If there are no Charges, the word "NONE" should be inserted. It is not sufficient to leave this space blank

Nature of the Charge.	Amount payable for the current year.	Name of person to whom payable.	Address.
Annuity	£107	*Mrs. D. Worth*	*Redcot, Barnet*
		(*The annuity is £200, but £93 is paid out of income already taxed*)	
TOTAL £	107		

3. Particulars of the share of each partner in the net total profits of the Firm entered on page 2.

Names of the Partners at 6th April, 1922	Residences of the Partners.	State in each case whether "Sleeping" or "Acting" Partner.	Basis of Distribution of Profits under Partnership at 6th April, 1922	Amount of each Partner's share of the Profits.
Alfred Worth	*Redcot, Barnet*	*Acting*	*Salary £250. Interest on Capital £45, ½ balance*	£ 492
Bernard Worth	*15 Rose Terrace, N.5*	*Acting*	*Salary £150. Interest on Capital, £15, ½ balance*	263
Cecil Worth	*23 High Road, N.5*	*Acting*	*Salary £150. Interest on Capital, £15, ½ balance*	263
			TOTAL £	1,018

I declare that I am[1] *Precedent Acting Partner* of the Firm above described, and that the foregoing particulars are in every respect fully and truly stated according to the best of my judgment and belief.

[1] State whether precedent acting partner, or agent. *A. Worth* Signature.

Section C. **DECLARATION TO BE MADE BY A FIRM NOT DOMICILED IN THE UNITED KINGDOM.**

I DECLARE THAT the firm of is not domiciled in the United Kingdom.

Given under my hand this day of 19 .

Signature.

{Whether precedent acting partner or agent.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 6

The personal return of a partner who claims relief in respect of earned income and life assurance premiums, and who has no personal untaxed income.

Section C. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

Attention is directed to the liability of a husband to include the income of his wife.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of carried on by at			
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies			
Interest arising from Securities of Foreign Governments, Corporations or Companies			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—			
Letting Furnished House at			
Other Sources (the particular source to be stated), viz.—			
the amount whereof is computed according to			
TOTAL			
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL			

Nil

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *7th* day of *May* 1922

A. Worth Signature.

6 *Barnet Avenue, N.5* Business Address.

Redcot, Barnet Private Residence.

Note.—A woman must state after her signature whether *Married, Widow,* or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom. — *On my own behalf*

Section D. CLAIM FOR ALLOWANCE OR DEDUCTION.

The Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether tax has been paid on it or not. The word "None" should be written in any of the spaces (a) to (f) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No 1.—Particulars of Income.	Amount. £	s.	d.
(a) From Trade, Profession, Employment, or Vocation— *Partner in A. Worth & Sons*	492	–	–
(b) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)— *Nil*			
(c) From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*) *Nil*			
(d) From the Occupation of Land— *Nil*			
(e) From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities' Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)— *Taxed dividends as per attached list*	500	–	–
(f) Wife's Income, it not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)— *Nil*			
Total	992	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank.* (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £	s.	d.
Ground Rent on payable to			
Mortgage or Loan— £ at % from on	*None*		
Annuities, payable to			
Patent Royalties, payable to			
Other Annual Charges (if any), payable to			
Total Charges			
Total Amount of Income FROM ALL SOURCES less Charges	992	–	–

I declare that the above statement contains a full, just, and true account and return of the **Whole of my Income from every source whatsoever** for the Year ending the 5th day of April, 1923, estimated according to the Sections of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this *7th* day of *May* 1 2

Signed *A. Worth*

Private Residence *Redcot, Barnet*

A Woman must state after her signature whether *Married, Widow,* or *Spinster.*

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2. £	s.
Self	*London Assurance Co.*	3/3/1901	£2,000	54	–
			Total . .	54	–

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. If you are **MARRIED** and your wife is living with you, give the following particulars.

Full Christian names of wife . .

Section G. If you are a **WIDOWER**, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. If you are an **UNMARRIED PERSON** and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance.
Surname.	Full Christian Names.			

Section J. If you have any **CHILDREN** or step-children living and under the age of 16 years on 6th April, 1920, or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on Form No. 11—2A.)

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1920.
Surname.	Full Christian Names.	Day.	Month.	Year.		

Section K. If you maintain at your own expense any **RELATIVE** of yourself, or of your wife, who is **INCAPACITATED BY OLD AGE OR INFIRMITY** from maintaining himself or herself, and whose income from all sources does not exceed £50 a year, give the following particulars.

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative, besides the claimant, contributes to the maintenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date 7/5/22 *A. Worth*

Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 7

The personal return of a partner who claims relief in respect of earned income, wife, child, and life assurance premiums.

6A—(1521)

Section C. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

Attention is directed to the liability of a husband to include the income of his wife.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of carried on by at			
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies	*None*		
Interest arising from Securities of Foreign Governments, Corporations or Companies			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—			
Letting Furnished House at			
Other Sources (the particular source to be stated), viz.—			
the amount whereof is computed according to			
TOTAL			
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL			

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *7th* day of *May,* 1922.

B. Worth Signature.

6 *Barnet Avenue, N.* 5 Business Address.

15 *Rose Terrace, N.*5 Private Residence.

Note.—A woman must state after her signature whether *Married, Widow,* or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom.

Section D. | **CLAIM FOR ALLOWANCE OR DEDUCTION.**

The Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether Tax has been paid on it or not. The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
(*a*) From Trade, Profession, Employment, or Vocation— *Partner in A. Worth & Sons*	263	–	–
(*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)— *Nil*			
(*c*) From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*) 15 *Rose Terrace, N.5*	35	–	–
(*d*) From the Occupation of Land— *Nil*			
(*e*) From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities, Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)— *Nil*			
(*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)— *Nil*			
Total ..	298	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank.* (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £	s.	d.
Ground Rent on payable to			
Mortgage or Loan— £200 at 5 % from *Smith & Co. Lincoln's Inn,* on *15 Park Terrace, N.5*	10	–	–
Annuities, payable to			
Patent Royalties, payable to			
Other Annual Charges (if any), payable to			
Total Charges ..	10	–	–
Total Amount of Income FROM ALL SOURCES less Charges ..	288	–	–

I declare that the above statement contains a full, just, and true account and return of the **Whole of my Income from every source whatsoever** for the Year ending the 5th day of April, 1923 estimated according to the directions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this *7th* day of *May* 1922

Signed *B. Worth*

Private Residence *15 Rose Terrace, N.5*

A Woman must state after her signature whether *Married, Widow,* or *Spinster.*

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2. £	s.
Self	*British Union Insurance Corporation*	17/11/1913	£500	18	–
			Total . .	18	

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. **If you are MARRIED and your wife is living with you, give the following particulars.**

Full Christian names of wife . . *Kathleen*

Section G. **If you are a WIDOWER, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.**

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. **If you are an UNMARRIED PERSON and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.**

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance.
Surname.	Full Christian Names.			

Section J. **If you have any CHILDREN or step-children living and under the age of 16 years on 6th April, 1922 or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on Form No. 11—2A.)**

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1922.
Surname.	Full Christian Names.	Day.	Month.	Year.		
Worth	*Joan*	11	*November*	1910	15 *Rose Terrace, N.5*	

Section K. **If you maintain at your own expense any RELATIVE of yourself, or of your wife, who is INCAPACITATED BY OLD AGE OR INFIRMITY from maintaining himself or herself, and whose income from all sources does not exceed £50 a year, give the following particulars.**

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative, besides the claimant, contributes to the maintenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date 7/5/22 *R Worth*
Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 11 (for Individuals)

SPECIMEN RETURN

No. 8

The personal return of a partner who claims an allowance in respect of earned income and life assurance premiums. He pays interest on loan.

Section C. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no ***untaxed income*** *to be returned for assessment, the word* ***"None"*** *should be entered in the money column, and the General Declaration should be signed.*

Attention is directed to the liability of a husband to include the income of his ***wife.***

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.—			
The Trade, Profession, or Business of carried on by at			
The Employment or Vocation of carried on by at			
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Dividends on Stocks purchased and held through the Post Office Savings Bank			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:			
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies			
Interest arising from Securities of Foreign Governments, Corporations or Companies			
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom	*None*		
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—			
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule, viz.—			
Letting Furnished House at			
Other Sources (the particular source to be stated), **viz.**—			
the amount whereof is computed according to			
TOTAL			
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures			
NET TOTAL			

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts. I desire to be assessed by the

Given under my hand this *7th* day of *May,* 1922.

C. Worth Signature.

6 *Barnet Avenue, N.5* Business Address.

23 *High Road, W.5* Private Residence.

Note.—A woman must state after her signature whether *Married, Widow,* or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf; or
2. As Trustee, Agent, Receiver or Factor, and for whom.

ction D.

CLAIM FOR ALLOWANCE OR DEDUCTION.

ie Claimant must set forth EVERY source of his Income, with the amount derived from each source, whether ax has been paid on it or not. The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars ay be given on a separate sheet and the totals brought to this page.

No. 1.—Particulars of Income.	Amount. £	s.	d.
) From Trade, Profession, Employment, or Vocation— *Partner in A. Worth & Co.*	263	–	–
) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*)— *Nil*			
) From Property, including the annual value of the property which I own and occupy— (*Precise addresses to be stated*) *Nil*			
) From the Occupation of Land— *Nil*			
) From Bank Interest, Exchequer Bond Interest, and other Interest; and from Annuities, Dividends, Discount on Treasury Bills, or other Income not already entered on this page (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not*)— *Nil*			
) Wife's Income, if not included above (*giving full particulars and stating whether subjected to United Kingdom Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*)— *Nil*			
Total ..	263	–	–

No. 2.—Particulars of Charges on Income. *If there are no Charges write "NONE." It is not sufficient to leave this space blank.* (*Life Assurance Premiums should not be entered here, but on page 4.*)	Annual Amount payable. £	s.	d.
round Rent on payable to lortgage or Loan— £100 at 4 % from *Mutual Insurance Co.* on *Life Policies*	4	–	–
nnuities, payable to atent Royalties, payable to ther Annual Charges (if any), payable to			
Total Charges ..			
	4	–	–
Total Amount of Income FROM ALL SOURCES less Charges ..	259	–	–

I declare that the above statement contains a full, just, and true account and return of the **Whole of my ncome from every source whatsoever** for the Year ending the 5th day of April, 1923, estimated according to the irections of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand this *7th* day of *May* 1922

Signed *C. Worth*

Private Residence *23 High Road, W.5.*

A Woman must state after her signature whether *Married, Widow,* or *Spinster.*

Section E. Give here a list of any **PREMIUMS PAID FOR ASSURANCES** or contracts for deferred annuities, **ON THE LIFE OF YOURSELF OR YOUR WIFE.**

State whether the Assurance or Annuity is on life of "Self" or of "Wife."	Name of Assurance Company or Friendly Society.	Date of Policy or Contract.	* Capital Sum Payable at Death —exclusive of any additional benefit by way of bonus or otherwise.	Amount of Premiums claimed as an allowance from the income returned on page 2	
				£	s.
Self	*Mutual Assurance Co.*	1/7/98	£300	12	–
			Total . .	12	–

* If no Capital Sum is payable at Death, particulars of the Policy should be stated.

Section F. If you are **MARRIED** and your wife is living with you, give the following particulars.

Full Christian names of my wife, who is living with me

Section G. If you are a **WIDOWER**, and a female relative of yourself or of your deceased wife resides with you for the purpose of having the charge and care of any child or adopted child of yours in respect of whom the relief for children is granted, give the following particulars.

Name of female relative in respect of whom relief is claimed.		Whether she is "married," "widow," or "spinster." If married but living apart from her husband, state so.	Relationship to yourself or to your deceased wife.	Are you a widower?
Surname.	Full Christian Names.			

Section H. If you are an **UNMARRIED PERSON** and have living with you and maintain at your own expense either your mother or some other female relative for the purpose of having the charge or care of any brothers or sisters in respect of whom the allowance for children is granted, give the following particulars.

Name of mother or female relative in respect of whom relief is claimed		Whether she is "married," "widow," or "spinster." If married but living apart from her husband state so.	Relationship to yourself.	Whether any other relative besides yourself contributes to her maintenance
Surname.	Full Christian Names.			

Section J. If you have any **CHILDREN** or step-children living and under the age of 16 years on 6th April, 1920, or over that age and receiving full-time instruction at any educational establishment, give the following particulars. (Particulars of adopted children within the above conditions should be entered on Form No. 11—2A.)

Name of each child or step-child in respect of whom relief is claimed.		Date of Birth.			Place of Birth.	Name and address of the educational establishment in the case of children over 16 on 6th April, 1920.
Surname.	Full Christian Names.	Day.	Month.	Year.		

Section K. If you maintain at your own expense any **RELATIVE** of yourself, or of your wife, who is **INCAPACITATED BY OLD AGE OR INFIRMITY** from maintaining himself or herself, and whose income from all sources does not exceed **£50** a year, give the following particulars.

Name of each Dependent Relative in respect of whom relief is claimed.		Relationship to claimant (or to his wife).	Date of Birth.			Annual income of the relative from all sources.	Nature of Infirmity, if any.	Where now residing.	Whether any *other* Relative, besides the claimant, contributes to the main tenance?
Surname.	Full Christian Names.		Day.	Month.	Year.				

Section L. **THIS DECLARATION SHOULD BE COMPLETED IN ALL CASES WHERE ANY RELIEF IS CLAIMED ON THIS PAGE.**

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as stated.

Date 7/5/22 *C. Worth*

Claimant's Signature.

RETURN FOR ASSESSMENT UNDER SCHEDULE D,

For the Year ending 5th April, 1923.

Form No. 1 (for Firms, Companies, etc.)

SPECIMEN RETURN

No. 9

The return of a company.

Section A. **STATEMENT OF UNTAXED INCOME FOR ASSESSMENT UNDER SCHEDULE D.**

In cases where there is no untaxed income to be returned for assessment, the word "None" should be entered in the money column, and the General Declaration should be signed.

SOURCE OF INCOME.	AMOUNT. £	s.	d.
FROM TRADE, PROFESSION, EMPLOYMENT OR VOCATION, viz.— The Trade, Profession, Employment, Vocation, or Business of *Manufacturers* carried on by *The Oldcastle Manufacturing Co., Ltd.* at *Oldcastle*	6,938	–	
FROM INTEREST OF MONEY AND ANNUITIES, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.—			
Interest on Banking Accounts or Deposits			
Discounts (including Discount or Profit on maturity or sale of Treasury Bills or War Expenditure Certificates)			
Interest on Exchequer Bonds (where not taxed by deduction)			
Small Dividends on Government and Corporation Securities (where not taxed by deduction)			
Other Interest and Annuities *not taxed by deduction* (the particular source to be stated), viz.:		*Nil*	
FROM COLONIAL AND FOREIGN SECURITIES (where United Kingdom Income Tax is not deducted on payment thereof), viz.—			
Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies..			
Interest arising from Securities of Foreign Governments, Corporations or Companies ..		*Nil*	
Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom..			
FROM COLONIAL AND FOREIGN POSSESSIONS, viz.—			
Income arising from Stocks or Shares (where United Kingdom Income Tax is not deducted on payment thereof), **or from Rents**—			
In any of His Majesty's Dominions out of the United Kingdom			
In Foreign Countries			
Income arising from Other Colonial and Foreign Possessions (the particular source to be stated), viz.—		*Nil*	
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS and not charged under any other Schedule (the particular source to be stated), viz.—		*Nil*	
the amount whereof is computed according to			
TOTAL ..	6,938	–	
Less: Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures	635	–	
NET TOTAL ..	6,303	–	

General Declaration.

I declare that in the foregoing statement I have given a full and t
Return of the whole of the Income chargeable upon

under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to
directions and rules of the said Acts. I desire the assessment to be made by the

Given under my hand this *18th* day of *May* 1922

H. James Signature.

Oldcastle Business Address.

Note.—A woman m
state after
signature whet
Married, Wid
or *Spinster.*

STATE WHETHER THE RETURN IS MADE—

1. As precedent Acting Partner of a Firm;
or 2. As Trustee, Agent, Receiver or Factor, and for whom;
or 3. As the Officer of any Corporation, Company, or Society.

As Secretary of the Company

Section B. DECLARATION, IN THE CASE OF A FIRM, BY THE PRECEDENT ACTING PARTNER,

OR BY THE AGENT IF NONE OF THE PARTNERS IS RESIDENT IN THE UNITED KINGDOM.

1. Full description or style of the Firm

2. Particulars of all annuities, interest on loans and mortgages, ground rents, patent royalties, and other annual charges payable by the Firm.

Interest on partners' own capital and salaries of partners are not to be included here but under head (3) below.

If there are no Charges, the word "NONE" should be inserted. It is not sufficient to leave this space blank

Nature of the Charge.	Amount payable for the current year.	Name of person to whom payable.	Address.
	£		
TOTAL £			

3. Particulars of the share of each partner in the net total profits of the Firm entered on page 2.

Names of the Partners at 6th April, 1922	Residences of the Partners.	State in each case whether "Sleeping" or "Acting" Partner.	Basis of Distribution of Profits under Partnership at 6th April, 1922	Amount of each Partner's share of the Profits.
				£
			TOTAL £	

I declare that I am[1] of the Firm above described, and that the foregoing particulars are in every respect fully and truly stated according to the best of my judgment and belief.

[1] State whether precedent acting partner, or agent.

Signature.

Section C. DECLARATION TO BE MADE BY A FIRM NOT DOMICILED IN THE UNITED KINGDOM.

I DECLARE THAT the firm of is not domiciled in the United Kingdom.

Given under my hand this day of 19 .

Signature.

{Whether precedent acting partner or agent.

(*d*) *From the Occupation of Land.* State the amount of the Schedule B assessment, *i.e.* double the annual value inclusive of tithe.

(*e*) *From Bank and other Interest, Annuities, Dividends, or other Income not already Entered on this Page.* Distinguish between income which is taxed before receipt, and interest, etc., not taxed before receipt. The former should be returned on the basis of the amount received in the preceding year if this is likely to be a fair estimate of the amount to be received in the current year. If not, estimate the amount as closely as possible. The gross amount should be returned. The latter should be returned on the basis of the amount received in the preceding financial year irrespective of the amount expected to be received in the current year. A description of the income should be given in each case.

(*f*) *Wife's Income, if not Included above.* State "None" if this is correct. If the wife has income the notes on pages 40 and 45 should be consulted.

Particulars of Charges on Income. Insert particulars of any ground rent, annuities, patent royalties, interest, or other annual charges. State the name and address of the person to whom they are payable and on what property, etc., they are secured. Do not insert the amount of life assurance premiums or the cost of repairs to property. It is important to write "None" in this space if this is correct.

Claims for Relief in Respect of Life Assurance premiums, Wife or "Housekeeper," Children, and Dependent Relatives incapacitated by old age or infirmity (page 4 of Form 11). The nature of these allowances is described fully in Chapters V and VI, and the information required is clearly stated on the form.

Earned Income Relief. The relief of one-tenth allowed in respect of earned income will be granted automatically by the Inspector of Taxes, and no special claim need be made beyond the completion of page 3.

Form 1 is required to be completed by the following persons—

On behalf of a firm. By the precedent acting partner.

On behalf of a company, society, etc. By the secretary or person performing the duties of secretary.

Form 11 is required to be completed by the following persons—

On behalf of a man carrying on a business or exercising a profession or employment alone. By himself.

On behalf of a spinster or widow. By herself.

On behalf of a married woman living with her husband. By her husband. (*Note.*—A married woman or her husband may elect that she shall be dealt with direct as regards her liability to taxation—see under HUSBAND AND WIFE in the second part of this book.)

On behalf of a married woman living apart from her husband. By herself.

On behalf of a minor. By his trustee, guardian, etc.; if none, by himself.

On behalf of an insane person. By his trustee, curator, committee, etc.

CHAPTER X

SPECIMEN RETURNS AND ASSESSMENTS (PROFITS—SCHEDULE D)

Specimen No. 1, Return of a Single Trader—Nos. 2, 3, and 4, Returns of a Firm and Partners; the Firm pays no Interest, etc.—Nos. 5, 6, 7 and 8, Returns of a Firm and Partners; the Firm pays Interest, etc., and has Taxed Income—No. 9, Return of a Company.

FOR explanation of the rates at which the following assessments are calculated and of the reliefs and allowances due, reference should be made to Chapters V and VI.

Specimen Return No. 1.—*Return of a Single Trader.*

The first specimen return will be that of T. Jones, milkman, whose cash account appears on page 13. It was shown there that his profit for 1921 (after adjustment for income tax purposes) was £276, and, as explained in Chapter III, his return for 1922/23 must be based on the average of the profits of 1919, 1920, and 1921, which were as follows—

1919 ..	.. £314
1920 ..	.. 322
1921 ..	.. 276
	3)912
	£304 to be assessed for 1922/23

It may be assumed—

(1) That T. Jones has a Post Office Savings Bank Account and that the interest credited to him in 1921 was £4;

(2) That he owns two freehold houses (as shown in the accounts) which are assessed at £60 gross and £50 net; he has no mortgage on them;

(3) That his wife owns a house in Rich Street which is assessed at £36 gross and £30 nett; she pays £6 ground rent and £15 interest on a mortgage of £300;

(4) That T. Jones has a child six years of age and that he pays life assurance premiums (as shown on page 13) amounting to £6, *i.e.* £3 on his own life, £2 on the life of his wife, and £1 on the life of his child.

SPECIMEN RETURN No. 1 sets forth—

(*a*) On page 2 the return of profits which the law requires T. Jones to make; also of the untaxed interest £4;

(*b*) On page 3 a statement of the total income of T. Jones and of his wife, completed in accordance with the directions given on page 71;

(*c*) On page 4 a claim to an allowance in respect of assurance premiums £5 (the premium on the life of the child is not admissible, see page 49);

(*d*) On page 4, a claim to an allowance in respect of his wife and child.

The assessment on T. Jones for 1922/23 will be as follows—

Trade profit			£304 – –	
Bank interest			4 – –	
Houses at Black Street	£50			
Wife's house at Rich Street	£30			
	£80			
Less Ground Rent and Mortgage Interest	£21			
			59 – –	
Aggregate income			£367 – –	
Deduct one-tenth of £304 because it is earned			30 8 –	
Assessable income			£336 12 –	
Deduct Marriage Allowance	£225			
,, Children's ,,	£36			
			£261 – –	
Leaving			£75 – –	to be charged at 2s. 6d.
Tax =			£9 7 6	
Deduct Life Assurance Allowance (£6 at 2s. 6d.)			15 –	
			£8 12 6	
Add tax to be paid over in respect of ground rent and mortgage interest (£21 at 5s.)			£5 5 –	
			£13 17 6	

Specimen Returns Nos. 2, 3, and 4. *The return of a firm and the personal returns of its two partners.*

One of the partners makes a claim in respect of the marriage allowance and life assurance and has to return certain interest accruing on a private deposit account. The second partner (unmarried) has no untaxed private income and pays no assurance premiums.

A. Adams and B. Brooks are partners whose profits (after adjustment for income tax purposes) have been as follows : 1919, £8,740 ; 1920, £7,652 ; 1921, £8,808. (A. Adams takes three-fourths of the profits and B. Brooks one-fourth.) The amount to be returned for 1922/23 will be arrived at thus—

1919 ..	.. £8,740	
1920 ..	.. 7,652	
1921 ..	.. 8,808	
	3)25,200	
	£8,400	to be assessed for 1922/23

This amount should be inserted on page 2 of Form 1, and the declaration thereunder should be signed by the precedent acting partner. The style of the firm and its partners' names and addresses should be shown on page 3. (See SPECIMEN RETURN No. 2.)

The partners are each required to complete a personal return, showing the amount of any untaxed income accruing to them in addition to that included in the firm's return, and making any claim to allowances to which they are entitled.

A. Adams pays an annual premium of £520 on his own life and £87 on the life of his wife (both assumed to be within the restrictions referred to in Chapter VI) ; further, in 1921 he was credited with £69 interest (untaxed) on a private deposit account.

B. Brooks is not insured and has no untaxed income except that included in the firm's return.

A. Adams's return is shown in SPECIMEN RETURN No. 3.

B. Brooks's return is shown in SPECIMEN RETURN No. 4

The assessment on the firm will be as follows—

Gross				£8,400
A. Adams		£6,300		
Less Maximum Earned Income Relief	£200			
Marriage Allowance	£225			
		425		
			£5,875	
B. Brooks		£2,100		
Less Maximum Earned Income Relief	£200			
Personal Allowance	£135			
		335		
			£1,765	
			£7,640	
				Tax
At the reduced rate of 2s. 6d.			£450 (£225 for each partner)	£56 5
At the full rate of 5s.			£7,190	£1,797 10
			£7,640	
			Total Tax	£1,853 15
Less the allowance for A. Adams's Life Assurance (£607 at 5s.)				151 15
				£1,702 0

Specimen Returns Nos. 5, 6, 7, and 8.—*The return of a firm and the personal returns of three partners; the firm pays interest and owns property.*

A. Worth, B. Worth, and C. Worth are partners in the firm of A. Worth & Sons, corn merchants. The firm's profit and loss account is printed on page 11 and the income tax adjustment on page 12. The profits (after adjustment for income tax purposes) have been as follows—

1919 ..	.. £1,045
1920 ..	.. 1,154
1921 ..	.. 1,206
	3)3,405
	£1,135 to be assessed for 1922/23

Other facts may be taken as follows—

(1) The firm is entitled to a deduction of £10 in respect of depreciation of plant and machinery (see adjustment on page 12).

(2) The firm pays an annuity of £200 to Mrs. D. Worth, £25 interest

on mortgage, £15 ground rent, and about £10 interest on bank overdraft. The first three items have not been allowed as deductions from profits. The interest on bank overdraft has been allowed as a trade expense.

(3) The firm receives £15 interest from J. Francis, who deducts tax therefrom, and £18 dividends also taxed before receipt. It also owns premises assessed to property tax on £120 gross and £100 nett. These items are not included in the profits as adjusted for income tax purposes, having suffered tax in other ways as shown.

(4) *A. Worth* draws salary £250, and interest on capital £45; *B. Worth* draws salary £150, and interest on capital £15; *C. Worth* draws salary £150, and interest on capital £15 (he drew £10 interest on capital in 1921 as shown in the account, but in 1922 he will draw the larger sum referred to). The three partners divide the balance of profit as follows: *A. Worth*, a half; *B. Worth*, a quarter; and *C. Worth*, a quarter.

(5) *A. Worth* has a private income of £500 from dividends, and he pays £54 premium on a policy taken out on his own life.

(6) *B. Worth* pays £18 assurance premium on his own life and has a wife and also one child under sixteen; he owns a house assessed at £42 gross and £35 nett, but pays £10 interest on a mortgage of £200. He has no other income or charges.

(7) *C. Worth* pays £12 life assurance; he has no income apart from his interest in the firm, but has borrowed £100 at 4 per cent. on the security of his life assurance policy.

The firm's return. The only positive requirement is that page 2 of Form 1 shall be completed by A. Worth, the precedent acting partner, and that the style of the firm and the names of the partners shall be inserted on page 3. A. Worth will insert £1,135 on page 2 and will claim an allowance of £10 in respect of depreciation. He will set forth the other information referred to on page 3 (adding his signature to each page). But, as he and his partners are entitled to claim relief, he will include further facts on the latter page. The second sub-heading of the firm's return on this page calls for particulars of annuities, interest on loans, etc., paid out of the profits (assumed to be £1,125 after the allowance of £10). It will be observed that the firm pays (*a*) an annuity of £200 to Mrs. D.

Worth, (*b*) £10 on bank overdraft (but this is not regarded as an annual charge as tax is repaid[1], and has moreover been allowed as a deduction from profits), (*c*) £25 interest on mortgage and (*d*) £15 ground rent. As regards (*a*), (*c*), and (*d*), it must be remembered that the object of the firm's return on page 3 is to show how the profits are divided, in order that the appropriate reliefs may be allowed. The authorities must therefore be satisfied, first, as to what portion of profits is paid to outsiders (the lower rate may not be allowed on this portion) and, secondly, as to what portion of the balance falls to the share of partners who claim relief. Sub-heading (2) of the firm's return on page 3 must be completed so as to show what portion of the assessable profits is paid to outsiders. The charges may be shown as follows—

Annuity	£200
Mortgage interest	25
Ground Rent	15
	£240

It might seem that these charges should all be set down in the space under consideration and that £240 of the assessable profit (£1,125) should be charged at the highest rate without further question. (Tax at the highest rate should of course be deducted from each of these payments.) But the firm is entitled to point out that it has certain income which by its very nature is charged at the highest rate, *i.e.*—

Premises (charged under Schedule A)	£100
Dividends (taxed before receipt)	18
Interest (do. do.)	15
	£133

£133 of the £240 may be regarded as being payable not out of the assessable profits (£1,125) but out of the £133 charged at the highest rate. The firm may reason, therefore, that the mortgage interest £25, the ground rent £15 and £93 of the annuity are not paid out of the profits, and that the balance only of the annuity (£107) need be set down under sub-heading (2) of the return on page 3. The space in question will, therefore, be completed as shown on SPECIMEN RETURN No. 5.

[1] See page 142.

(An alternative but more complicated way of ascertaining liability is indicated within brackets on pages 74 and 75.)

It remains now for the firm to complete the third sub-heading on page 3, the object of which is to show how the firm's profit should be divided after payment of the charges referred to above. It should be remembered—

(1) That £1,125 (£1,135 less £10 depreciation) is regarded as the firm's profit; the profit actually made in 1922/23 is not material;

(2) That the basis of division is that of the year of assessment (1922/23) irrespective of the division in past years. The question to be answered is as follows:—" If the firm were actually to make a profit of £1,125 in 1922/23, how would it be divided amongst the partners after paying the charges £107 ?" The division will be as follows—

Profit		£1,125
Deduct Charges		107
		£1,018
Salaries and Interest on Capital—		
A. Worth (£250 + £45)	£295	
B. Worth (£150 + £15)	165	
C. Worth (£150 + £15)	165	
		625
Leaving		£393

of which *A. Worth* takes one-half (£197), *B. Worth* one-quarter (£98), and *C. Worth* one-quarter (£98). When these sums are added to the partners' salaries and interest on capital the following result is obtained—

Charges	£107
A. Worth (£295 + £197)	492
B. Worth (£165 + £98)	263
C. Worth (£165 + £98)	263
	£1,125

The firm's return may now be completed as shown in SPECIMEN RETURN No. 5.

Each partner must now complete his personal return.

A. Worth's return. A. Worth can make claims in respect of his assurance premium and for the allowances in respect of earned

income and personal abatement. Also he must regard the form as requiring him to return any untaxed income he possesses in addition to that included in the firm's assessment. His return will, therefore, appear as shown in SPECIMEN RETURN No. 6.

B. Worth's return. On page 4, B. Worth should make a claim to an allowance in respect of his life assurance premium, £18, and to an allowance in respect of his wife and child. Page 3 provides the basis for a claim to earned income relief. This should be made by completing a statement of total income from all sources in accordance with the direction given on page 63. It should be noted that B. Worth owns a quarter share of the firm's taxed income, viz.—

¼ of Property	..	£100	=	£25 0
,, Dividends	..	18	=	4 10
,, Interest	..	15	=	3 15
				£33 5

But that, in addition to his own mortgage interest (see page 71), he is responsible for ¼ of the charges which the firm meets out of its taxed income (see page 73 : ¼ of £133 = £33.5). Both of these items may therefore be ignored.

B. Worth's return will, therefore, appear as shown in SPECIMEN RETURN No. 7.

(The alternative method referred to within brackets on page 73 would be to show the full charges £240 on page 3 of the firm's Form 1 ; the share falling to A. Worth, B. Worth, and C. Worth would be reduced by £66 10s., £33 5s., and £33 5s. respectively. When B. Worth came to declare his total income from all sources he would show £33 5s. as his share of the firm's taxed income, without any corresponding charges (thereby increasing his total income to the same amount as shown on the specimen return given). The same applies to C. Worth. In making the assessment on the firm a further calculation would be necessary. The firm's taxed income, £133, would then need to be set against the firm's charges, £240, the balance of £107 retained at 5s. 0d., and the partners' shares adjusted. All this might with advantage have been done

when the returns were being completed and the method adopted in the specimen returns is strongly preferred.)

C. Worth's return. C. Worth should make the necessary claim to allowance in respect of his insurance premium, £12. In declaring his total income from all sources on page 3, he may ignore ¼ of the firm's taxed income and ¼ of the firm's charges, as was shown in the case of B. Worth. He should show the interest (£4) which is payable on his private loan. C. Worth's return will appear as shown in SPECIMEN RETURN No. 8.

The firm's assessment. The assessment on the firm must be made in one sum, and the partners' shares may not be distinguished on the legal notice of assessment or on the demand note. The assessment will be arrived at as shown below, the partners' shares being shown separately for the sake of simplicity.

A. Worth—

Share of profit		£492
Deduct—One-tenth of £447 (the earned portion)	£45	
Personal Abatement	£135	
		180
Taxable Income		£312

B. Worth—

Share of profit		£263
Deduct—One-tenth of £248 (earned portion)	£25	
Marriage Allowance	£225	
Allowance for child	£36	
		£286
Taxable Income		NIL

C. Worth—

Share of profit		£263
Deduct—One-tenth of £248 (earned portion)	£25	
Personal abatement	£135	
		£160
Taxable Income		£103

The firm must, therefore, bear tax on £415, *i.e.* the sum of the taxable incomes of A. Worth and C. Worth (B. Worth being exempt); and also pay over tax at the highest rate on the charges of £107.

The actual tax liability of the firm will be as follows—

£225 at 2s. 6d.			£28 2 6
£87 at 5s. 0d.			£21 15 –
£99 at 2s. 6d.			£12 7 6
£4 at 5s. 0d. (to cover C's interest)			£1 – –
£107 at 5s. 0d. (to cover firm's interest)			£26 15 –
Total			£90 – –
Less Life Assurance Allowances—			
(A. Worth) £54 at 2s. 6d.	£6 15 –		
(C. Worth) £12 at 2s. 6d.	£1 10 –		
		8 5 –	
Firm's Final Liability			£81 15 –

Specimen Return No. 9.—*Return of a Company.*

The profits of the Oldcastle Manufacturing Company, Ltd. (after adjustment for income tax purposes as directed in Chapter II), have been as follows—

1919 ..	£6,843
1920 ..	6,927
1921 ..	7,044
	3)20,814
	£6,938 to be assessed in 1922/23

The company is assumed to be entitled to an allowance of £635 in respect of the depreciation of its machinery.

The return should be made by the secretary (or the person performing the duties of secretary) as shown in SPECIMEN RETURN No. 9.

Duty charged—
£6,303 at highest rate.

CHAPTER XI

ASSESSMENTS ON PROPERTY (HOUSES AND LANDS)

Rules of Assessment—Examples—General Notes

THE purpose of this chapter is to illustrate by practical examples the rules respecting assessments on property. In brief, the law provides for assessments as follows—

Under Schedule A, in respect of the owner's profit by way of rent, etc. The assessment should be made on the annual value of the property, and deductions should be allowed in respect of repairs, land tax, the amount of any drainage rate, and the average expenditure on sea walls over the preceding twenty-one years. (For details of these deductions, see under the respective headings in the second part of this book.) The amount of any tithe which is payable may be included in the assessment or may be charged separately on the tithe owner.

Under Schedule B, in respect of the profits of persons occupying land. The charge is (for 1922/23) usually made on the annual value of the lands occupied. "Lands" includes a farmhouse for the general purposes of Schedule B.—*i.e.* a farmer is presumed to make profits equal to his rent. (For exceptions, see the concluding notes of this chapter.) See also under *Schedule B* in the second part of this book.

Inhabited House Duty is charged on all inhabited dwelling-houses whose annual value is £20 or over. There are two scales of charge, the lower and the higher.

Lower rate—

Where the annual value is £20 but does not exceed £40 at 2d. in the £
" " " exceeds £40 " " £60 " 4d. "
" " " " £60 . . . . . " 6d. "

Higher Rate

Where the annual value is £20 but does not exceed £40 at 3d. in the £
" " " exceeds £40 " " £60 " 6d. "
" " " " £60 . . . . . " 9d. "

The lower scale applies, generally speaking, to shops, licensed premises, hotels, inns, coffee houses, farm-houses, lodging houses; and the higher scale applies to all other premises. Exemption is

granted to premises on which no one resides, lock-up shops, lock-up offices and similar self-contained parts of buildings not resided on.

As regards the reliefs and allowances granted in the computation of tax see Chapters V and VI.

EXAMPLE 1.—A house is let for £42, the landlord executing all repairs.

ASSESSMENT

Schedule A—Gross		£42
Less Repairs (one-sixth)		7
Nett		£35
Schedule B	Nil	
Inhabited House Duty	£42 at 6d.	

EXAMPLE 2.—Certain lands are let for £120. There are no buildings thereon. The landlord executes any necessary repairs. There is no tithe, but £5 land tax is paid by the landlord.

ASSESSMENTS

Schedule A—Gross			£120
Less Repairs (one-eighth)	£15		
„ Land Tax	5		
		20	
Nett			£100
Schedule B—			£120
Inhabited House Duty	Nil		

This case illustrates a simple assessment on lands, without complications.

EXAMPLE 3.—Certain lands are let for £210. The landlord executes any necessary repairs and the tenant bears the land tax, £6. There is no tithe.

ASSESSMENTS

Schedule A—Gross (£210 + £6)			£216
Less Repairs (one-eighth)	£27		
„ Land Tax	6		
		33	
Nett			£183
Schedule B—			£216
Inhabited House Duty	Nil		

This example illustrates the difference between the rent and the annual value when the tenant bears a burden which is regarded as the landlord's. The consideration paid for the lands is £210 (the nominal rent) plus £6 (the land tax paid by the tenant). If the landlord were to pay his own land tax he would no doubt increase the rent to £216. The same rule applies when the tenant bears any other of the landlord's burdens, *e.g.* drainage rate, tithe, etc.

EXAMPLE 4.—A tenant holds land under two leases, (*a*) for husbandry at a rent of £226, and (*b*) for shooting at a rent of £14. The landlord executes any necessary repairs. There is no tithe or land tax.

ASSESSMENTS

Schedule A—Gross (£226 + £14)	£240
Less Repairs (one-eighth)	30
Nett	£210
Schedule B—	£240
Inhabited House Duty .. .. Nil	

This example illustrates the decision in *Revell* v. *Scott* (1895) to the effect that the annual value of land for sporting purposes should be included in the assessments under Schedules A and B.

EXAMPLE 5.—A farmer pays £240 rent for a farm and farmhouse, the farmhouse being worth £24 per annum. The landlord executes repairs and pays land tax £10 and drainage rate £2. There is no tithe.

ASSESSMENTS

Schedule A—Gross		£240
Less Repairs (one-eighth)	£30	
,, Land Tax	10	
,, Drainage Rate ..	2	
		42
Nett		£198
Schedule B—		£240
Inhabited House Duty .. .. £24 at 2d.		

This case illustrates the rule that a farmhouse and farm-buildings assessed with a farm are subject to the same rate of allowance in

respect of repairs as land (*i.e.* one-eighth of the annual value). As the farmhouse is rented by the farmer for farm purposes it is charged on the lower scale of house duty (see page 85).

EXAMPLE 6.—A farmer pays £390 rent for a farm, including a farmhouse worth £24 a year, farm-buildings worth £6 a year, and labourers' cottages worth £30 a year. There is no land tax or tithe, and the landlord executes repairs.

ASSESSMENTS

Schedule A—Gross			£390
Less Repairs (⅛ of £30) ..	£5		
,, (⅛ of £360) ..	45		
	—		50
Nett			£340
Schedule B—(£390 less £30 cottages)			£360

Inhabited House Duty .. £24 at 2d. on the farmhouse.

This example illustrates the rule that labourers' cottages are not regarded as farm-buildings in estimating the allowance for repairs, neither is their annual value included in the Schedule B assessment. The cottages are, of course, worth less than £20 a year each, and are therefore exempt from house duty.

EXAMPLE 7.—A farmer owns and occupies a farm and farmhouse. The land is considered to be worth £240 a year and the farmhouse £30.

ASSESSMENTS

Schedule A—Gross			£270
Less Repairs (⅛ of £30) ..	£5		
,, (⅛ of £240) ..	30		
	—		35
Nett			£235
Schedule B—			£240

Inhabited House Duty .. .. £30 at 3d.

This example illustrates the rule that where a farmhouse is not *let* with a farm, the farmhouse is not assessed under Schedule B, and house duty is charged on the higher scale. If a farmhouse is used otherwise than for purposes of husbandry (*e.g.* by a butcher) the same rules apply.

EXAMPLE 8.—A farmer pays £240 rent for certain lands. The landlord bears the cost of repairs and pays tithe £15. There is no land tax. The tithe is not separately assessed.

ASSESSMENTS

Schedule A—Gross	£240
Less Repairs (one-eighth) ..	30
Nett	£210
Schedule B—	£240
Inhabited House Duty	Nil

The landlord is entitled to deduct tax from the tithe rent charge, and will therefore be assessed on the full rent received less repairs, etc. It will be seen that he ultimately suffers tax on £195, and the tithe owner on £15.

EXAMPLE 9.—A farmer pays rent £280 for certain land. The landlord bears the cost of repairs and pays tithe £20. The tithe for the whole parish is assessed separately on the tithe owner.

ASSESSMENTS

Schedule A—Gross (£280 less £20)	£260
Less Repairs ($\frac{1}{8}$ of £280)	35
Nett	£225
Schedule B—	£280
Inhabited House Duty	Nil

When the tithe is separately assessed, the Schedule A assessment on the farm should not include the value thereof. The allowance for repairs should, however, be based on the total value of the lands, *i.e.* on the annual value including tithe. The Schedule B assessment should be based on the aggregate annual value. In assessing the tithe no allowance will be made for repairs.

EXAMPLE 10.—A farmer pays rent £320 for a farm, including a farmhouse of annual value £36 and labourers' cottages of a total annual value £42. He also pays land tax £10 and tithe £30. The landlord bears the cost of repairs and pays a drainage rate of £2. The tithe is not separately assessed.

ASSESSMENTS

Schedule A—Gross (£320 + £10 + £30)				£360	0 0
Less Repairs (⅛ of £42)	£7	0	0		
,, ,, (⅛ of [£360 – £42]) ..	39	15	0		
,, Land Tax	10	0	0		
,, Drainage Rate	2	0	0		
				58	15 0
Nett				£301	5 0
Schedule B—(£360 – £42)				£318	0 0

Inhabited House Duty .. .. £36 at 2d.

This example illustrates the combined application of the rules indicated in Examples 3, 6, and 8.

EXAMPLE 11.—A tenant pays £240 a year for a farm and £22 for the shooting rights. The farmhouse is worth £30 per annum, the farm-buildings £9. The tenant farms the lands and also carries on the trade of blacksmith at the farmhouse. He bears the land tax assessed on the farm, £8. The landlord executes repairs and pays tithe, £25. The tithe for the whole parish is separately assessed.

ASSESSMENTS

Schedule A—Gross (£240 + £22 + £8 = £270; deduct tithe £25)				£245	0 0
Less Repairs (⅛ of £30)	£5	0	0		
,, ,, (⅛ of £270 – £30) ..	30	0	0		
,, Land Tax	8	0	0		
				43	0 0
Nett				£202	0 0
Schedule B—(£270 – £30)				£240	0 0

Inhabited House Duty .. .. £30 at 3d.

This example illustrates the combined application of the rules indicated in Examples 3, 4, 5, 7, and 8.

EXAMPLE 12.—A tenant pays rent £300 for a farm, and also bears the cost of repairs. The farmhouse is worth £28 a year, the farm-buildings £6, and cottages included in the lease £30. The landlord spent £22 in the preceding year in repairing an embankment protecting the lands from a tidal river. Within the twenty previous years £104 had been expended for this purpose. The landlord pays land tax £4, and tithe £24. The tithe for the whole parish is assessed in one sum on the tithe owner.

The commissioners have to determine the amount of the tenant's rack-rent, and must take into consideration the fact that the

tenant bears the cost of repairs. In the case of a farm the repairs may not be very heavy, and a small sum, if any, would be added to the rent in respect of this landlord's burden borne by the tenant.

ASSESSMENTS

Schedule A—Gross (£300 + say £6 for repairs; deduct tithe £24)				£282	0 0
Less Repairs ($\frac{1}{6}$ of £30) ..	£5	0	0		
,, ,, ($\frac{1}{8}$ of [£306 – £30)] ..	34	10	0		
,, Land Tax	4	0	0		
,, Embankment (£22 + £104 ÷ 21)	6	0	0		
				49	10 0
Nett				£232	10 0
Schedule B—(£306 – £30)				£276	0 0
Inhabited House Duty .. .. £28 at 2d.					

This example illustrates the allowance in respect of embankments. The note respecting repairs should also be observed.

General Notes.

A farmer may elect to be charged under Schedule B according to the rules of Schedule D, *i.e.* on his average profit over three years. *Alternatively*, he may elect, at the end of the year, to be assessed on his actual profits. When a loss has been incurred adjustments may be claimed, as in the case of trade losses. (See under Schedule B in the second part of this book.)

In the case of certain cottages and lands the cost of repairs, maintenance, insurance, and management (beyond that already allowed for) may be allowed from the assessment by way of repayment. An allowance may also be made in respect of a loss of profits owing to floods and tempests. (See under the appropriate headings in the second part of this book.)

It should be noted that the allowances enumerated in Chapter V may be claimed as against any assessment made in accordance with the examples shown above. The nett assessment is the essential one in connection with such claims. Earned income relief may be allowed under Schedule B when the income in question is immediately derived by the individual assessed from the carrying on or exercise by him of his trade, etc.

Duty under Schedule A and Schedule B is required to be paid by the person assessed as occupier. He should deduct the former from his next payment of rent, but must bear the latter himself. Duty under both Schedules is payable in two instalments, except Schedule B duty payable by a company.

CHAPTER XII

REPAYMENT CLAIMS

Time Limit—Repayments Authorized—The Production of Receipts, Vouchers, Certificates, etc.—Vouchers Not in the Claimant's Name—By Whom a Claim should be Made—Exemption—Abatement—Earned Income Relief—Unearned Income Relief—Life Insurance—Children—Wife and Dependent Relatives—Minors—Repairs, Maintenance, etc., of Cottages and Lands—Bank Interest—Stock Exchange, etc., Interest—Loss, etc.—Foreign and Colonial Residents—Half-yearly Claims.

Time Limit.

THE general time limit for repayment claims is a period of three years after the end of the financial year to which the claim relates (Income Tax Act, 1918, s. 41). Thus, a claim to the repayment of tax paid for the financial year ending 5th April, 1920 (year 191/9),20 must be lodged by 5th April, 1923. For cases in which the three years' limit does not apply see under the following heading.

Repayments Authorized.

Repayment is authorized in the following circumstances—

(1) Where an individual is entitled to exemption. (The personal exemption limits for 1920/21 and subsequent years are stated in Chapter V.)

(2) Where an individual is entitled (*a*) to abatement prior to 1920/21, or (*b*) to allowances as in Chapter V for 1920/21 and subsequent years.

[1] (3) Where excessive tax has been paid on an income slightly exceeding an income tax limit.

(4) Where an individual is entitled to a lower rate in respect of income actually charged at a higher rate.

(5) Where an individual is entitled to an allowance in respect of life assurance premiums (see Chapter VI).

(6) Where (from 1920/21) an individual is entitled to an increased allowance for life assurance premiums by reason of his income just falling below £1,000 or £2,000 (see Chapter VI).

[1] These circumstances cannot arise as from 1920/21.

(7) Where an individual is entitled to an allowance in respect of a wife or "housekeeper" (see Chapter V).

(8) Where an individual is entitled to an allowance in respect of children (see Chapter V).

(9) Where an individual is entitled to an allowance in respect of incapacitated dependent relatives (see Chapter V).

(10) Where an individual is entitled to earned income relief (see Chapter V).

(11) Where a person has paid tax twice for the same year and in respect of the same source of income (*I.T.A.*, 1918, *s.* 151).

(12) Where an owner of land or houses may claim the allowance made in respect of maintenance, etc.

(13) Where charities, almshouses, public schools, literary and scientific institutions are entitled to exemption.

(14) Where a clergyman is entitled to allowances in respect of first-fruits, duties, and fees on presentation, etc.

(15) Where a lessor of plant and machinery is entitled to an allowance for wear and tear.

(16) Where non-residents have suffered deduction of tax from income arising from foreign securities.

(17) Where a specific cause of profits falling short is proved (see page 35).

(18) Where a loss has been incurred (see page 25).

(19) Where a business has ceased (see page 33).

(20) Where a business has commenced within three years (see page 23).

(21) Where duty has been paid on an assessment subsequently discharged or reduced on a case being taken to the High Court.

[1] (22) Where income assessable under Schedule D has diminished in consequence of the war.

(23) Where a life insurance or investment company may claim in respect of the cost of management.

(24) Where interest is paid to bankers (see page 142).

[1] (25) Where actual is less than 90 per cent. of assessed income.

(26) Where Excess Profits Duty or Munitions Levy has not been deducted for income tax purposes.

[1] These circumstances cannot arise as from 1920/21.

(27) Where allowance for exceptional depreciation or obsolescence has been made to a Controlled Concern for Excess Profits Duty or Munitions Levy purposes.

(28) Where relief is due in respect of Dominion Income Tax (see page 53).

(29) Where income has accumulated under trusts and excessive tax proves to have been borne.

(30) Where interest is paid to Discount Houses or to members of Stock Exchanges.

(31) Where tax has been paid on any disability or wounds pensions received since 6th April, 1918.

(32) Where tax has been paid on any war gratuities received since 4th August, 1914.

In cases (1) to (14) and (16), (19), (24), (25), (27), (28), (30), a claim must be made within three years of the expiration of the financial year for which the duty was assessed. In cases (17), (20), and (22) a claim must be made at the end of the year (which requirement "must receive a reasonable interpretation according to the exigencies of a business"). (*Regina* v. *Special Commissioners, Cape Copper Mining Co.*, 1888.) In cases (15) and (23) a claim must be made within twelve months, and in case (18) within six months (in practice twelve months) of the end of the financial year. A claim under (21) can only be made when judgment is given in favour of the appellant. Repayment under (26) is mandatory and a claim is not required. Repayment under (29) should be claimed within three years of the end of the fiscal year in which happens the contingency at which the income ceases to accumulate. In the cases of (31) and (32) the usual three years limit does not apply.

Special attention is given to the most common claims (with specimen forms where necessary) in the latter part of this chapter. Claims under (2) (a), (3), and (4) are dealt with in the Appendix, and (17), (18), (19), and (20) in Chapter IV.

Land Tax may in no circumstance be reclaimed.

The Production of Receipts, Vouchers, Certificates, etc.

It is, of course, necessary to prove that the tax reclaimed has in the first instance been paid to the revenue. The evidence required is usually the receipt, voucher or certificate showing the payment

or deduction of the duty in question, as will now be explained under headings appropriate to each source of income.

Profits of trades, professions, employments, etc. The collector's receipt should be attached. If it is lost the collector will probably supply a certificate of payment. The repayment claim should show the nature of the trade, etc., the address at which it is carried on, and particulars of the assessment.

Lands or houses. The collector's receipt should be attached; a certificate of payment may be obtained where the receipt is lost. The address and the rent or annual value should be stated on the claim. The amount of the nett assessment (*i.e.* the amount on which duty has been paid) is taken to be the income derived from the property in question. This note extends to duty paid under Schedule B (in respect of the occupation of land, farmers' profits, etc.), as well as to duty paid under Schedule A (in respect of the owner's profits.) The Schedule A assessment should be based on the full annual value of the property, less certain deductions. The Schedule B assessment should be based on the annual value[1] (usually the amount of the rent including tithe). The forms described later provide spaces for particulars of ground rent, interest, etc., paid out of the rent. Such charges should not, therefore, be deducted from the annual value. When the claimant lives in his own house the annual value thereof should be included in any statement of total income.

Ground rents, mortgage interest, and other interest taxed before receipt. The claimant should obtain from the person from whom he receives this income, a certificate declaring that he deducted tax from the claimant and that he has paid such tax to the revenue. This certificate may not be signed by the claimant's solicitor or agent, the terms of the declaration making it personal to the individual to whom the ground rent, etc., is paid. In the specimen on page 88, J. Montague is assumed to have lent to P. Nash £200 on mortgage at 5 per cent. interest, payable quarterly. He has obtained the following certificate in support of a claim he has made in respect of the financial year 1918/19. It will be observed that the dates in column 4 fall within this financial year. Form 185 may be obtained from any Inspector of Taxes.

[1] See under *Schedule B*, in the second part of this book, as regards years prior to 1922/23.

No 185. INCOME TAX.

I HEREBY CERTIFY that on paying to_____*Mr. J. Montague*___ of___*The Mill, Ashfield,*_____the Sum mentioned in the second Column of the subjoined Statement, I deducted for Income Tax the amount set forth in the third Column of the said Statement, and I further certify that the said Tax has been or will be paid by me either personally to the proper Officer for the receipt of Taxes or by way of deduction from rent or other income when received by me.

Signature_____*P. Nash*_____

Residence_____57 *Park Street, Millington*____

Date_____12*th April*, 1919_____

Description of the Property,* or Profits, out of which the Annual Payment, such as Rent, Interest, or Annuity, is payable.	Amount of the Payment from which I have deducted the Tax.			Amount of Income Tax deducted by me.			Period (*i.e.*, year, half-year, etc.) for which the Payment was due, and Date to which payable.
1.	2.			3.			4.
	£	s.	d.	£	s.	d.	
House, 28 Old Street,	2	10	0		15	0	*Quarters ended—* 30*th June*, '18
Millington, Kent,	2	10	0		15	0	30*th Sept.*, '18
occupied by F. Smith	2	10	0		15	0	31*st Dec.*, '18
	2	10	0		15	0	31*st Mar.*, '19

* N.B.—In the case of Property, its situation, including Street Address (if any), Parish, County, and names of Occupiers must be distinctly stated.

This form should be filled up by the person deducting the Tax from the Income of the Claimant, and when filled up it must be attached to the Form on which the Claim is made for a return of the Tax.

If the loan is not secured on property but on P. Nash's general effects, P. Nash must show, in column 1, how and where he has been assessed to cover the tax deducted from J. Montague. A variation of this form (185 B) is supplied to building societies not under the special arrangements known as Schemes A and B.

Dividends from companies assessed in the United Kingdom. The claimant should attach the "dividend top" or voucher sent to him with the warrant for the payment of the dividend (see page 90 as to securities payable to bearer). This voucher should show the amount of the dividend and the date to which it accrued, and

should contain a certificate that the company has been assessed and has paid tax on its profits and gains, of which the dividend is a part. The claimant's income is taken to be the gross amount of the dividend when tax is deducted therefrom. Thus, a dividend of £5 gross, paid less tax £1 10s. 0d. (amount received £3 10s. 0d.) should be shown as £5. Dividends are sometimes paid "free of tax," a misleading term intended to signify that the company has met the tax out of profits not divided amongst the shareholders, and therefore pays each dividend in full. A dividend of £5 received "free of tax" represents, when tax is at 5s. 0d., income £6 13s. 4d. (£6 13s. 4d. less tax £1 13s. 4d. equals £5), and the larger sum should be shown on any statement of total income. Where a dividend voucher has been lost, or where (as in the case of a small private company) none was issued, the secretary may complete Form 185 A as follows—

No. 185 A.

INCOME TAX.

I certify that Income Tax has been assessed on and paid to the Revenue by the[1] *J. Brown & Sons, Ltd.* in respect of its Profits and Gains, and that the Sum of £[2] 5 ,, ,, being the Dividend payable free of Income Tax on the[3] *Ordinary Shares* for the[4] *year* ending on the 31*st* day of *December* 19 19 to[5] *W. J. Brown* is a portion of such Profits and Gains, in respect of which Income Tax has been assessed and paid as aforesaid.

[1] Title of Company.

[2] Amount of Dividend.

[3] The nature of the Shares or Stock.

[4] Half-year or Year, as the case may be.

[5] The Persons in whose Names the Stock Shares stand.

[6] To be signed by the Secretary or other responsible officer.

Signature[6] *W. Allen*

Office *Secretary*

Address 19 *George Lane, N.W.*

Date 18*th April*, 1920

In the above case it is assumed that a dividend of £5 has been paid "free of tax." If W. J. Brown is exempt he may be repaid

£2 2s. 10d. (£7 2s. 10d. less £2 2s. 10d. tax equals £5) for 1919/20 (the rate was 6s. 0d.), in which financial year 31st December, 1919, falls. (Strictly speaking, the dividend falls: $\frac{1}{4}$ in 1918/19 and $\frac{3}{4}$ in 1919/20, but the authorities usually regard only the date to which the dividend accrues—never the date on which the dividend is paid.) See page 96 as to vouchers which bear a name other than that of the person entitled to the dividend.

British securities payable to bearer. In the case of these securities no dividend voucher exists and the secretary of the company, or other person directing the concern paying the interest or dividend, may not know who receives such income. Form 189 A is provided for use in such circumstances, and the banker in the United Kingdom who received payment on behalf of the person entitled thereto should complete the certificate as shown a few pages later.

Stocks inscribed in the Bank of England, Government Annuities and payments received through the Supreme Court Pay Office. Certificates are not required in this case, but claimants must furnish particulars as follows—

Full Title of Stock or Annuity, stating whether the Dividends are paid by post or through a Bank. If paid through a Bank, the name of the Bank should be stated.	Name or Names (in due order) in which the Stock or Annuity stands. If the funds are in Court, the correct Title of the Cause or Matter must be given, and the title of the account (if any) in the Supreme Court Pay Office books.	Amount of Stock, and if part of larger Sum state also larger Sum. £	s.	d.	Month and Year when Dividend or Annuity due, from which deduction made.
Consols paid through L. C. & M. Bank	*J. Bevan*	600	—	—	*5th July and October*, 1919; *5th January and April*, 1920.

The form printed above appears on most repayment claim forms. Where this is not so the particulars required may be inserted wherever there is room or on a separate sheet. (NOTE.—Where the dividend on any holding of stocks inscribed in the books of the Bank of England does not exceed £5 per annum no tax is deducted therefrom. The same applies to nearly all interest or

dividend paid through the Post Office Savings Bank. The income should still appear on the form and be described as untaxed. (See also the table of War Securities on page 506.)

Foreign and colonial securities. A certificate must be obtained signed either (*a*) by the *agent* (whether a banker or not) in the United Kingdom who received the income from abroad, accounted for tax to the revenue and paid the income to the owner less tax, or (*b*) by the *banker* who collected the dividend or interest from the agent referred to under (*a*). Thus, if H. James holds coupons payable to bearer on presentation to F. Grey & Co., 211 Gracechurch Street, E.C., he may obtain a certificate from the firm as follows—

No. 189. **INCOME TAX.** Reverse side on p. 92.

Foreign and Colonial Securities.

CERTIFICATE FOR REPAYMENT.

(To be used by Bankers and other persons deducting Tax and paying the same over to the Revenue.)

(1) Name of the person presenting the Coupons, etc.

(2) Nature of the security.

WE HEREBY CERTIFY that on paying to (1)____*H. James*_____of____12 *Waverley Terrace, W.* _____Coupons or Dividends of (2)__*the Niger Railway Company*_____as specified at the back hereof, which became due and payable____31*st December*, 1917____, we deducted Income Tax as follows; and we further certify that the Tax so deducted has been, or will be, paid over by us to the Revenue.

Gross Amount	£60 : 0 : 0	When paid
Tax deducted	15 : 0 : 0	5*th Jan.*, 1918.
Nett amount	£45 : 0 : 0	

Signature of the person who paid the interest or dividend } *F. Grey for F. Grey and Co.*

Address___211 *Gracechurch St., E.C.*

Date__10*th April*, 1918_____

TO BE SIGNED BY CLAIMANT.

I hereby declare that the Coupons or Dividends above mentioned relate to Stocks which are my own property, and that the Bonds from which the Coupons were taken are in the possession of ____*myself*_____

Signature____*H. James*_____

Date_____12*th April*, 1918_____

N.B.—The Bonds to be produced, when required, in support of any Claim.

Reverse of Form 189.

SCHEDULE OF COUPONS OR DIVIDENDS.

The numbers of Coupons or Warrants to be entered in Consecutive Order.						Aggregate amount of Coupons or Dividends.		
7,431	7,432	7,433				60	0	0
					£	60	0	0

If, however, H. James handed the coupons to his bankers for collection he may obtain from the latter a certificate on Form 189 A.

No. 189 A.

INCOME TAX.

British, Foreign and Colonial Securities.

DIVIDENDS AND INTEREST PAYABLE TO BEARER.

(To be used only by Bankers in the United Kingdom.)

We hereby certify that Coupons or Dividends of the various Securities specified at the back hereof, were collected by us on behalf of *H. James* , and that we received payment or were credited with the proceeds thereof (LESS Income Tax as stated on the other side), amounting to £ 60 : :

Signature of Banker or Bank Agent } *B. Wilson, or London and Eastern Bank, Ltd.,*

Address 21 *James Street, E.C.*

Date *8th April,* 1920

TO BE SIGNED BY CLAIMANT.

I hereby declare that the Coupons or Dividends above mentioned relate to Stocks which are my own property, and that the Bonds from which the Coupons were taken are in the possession of *myself*

Signature *H. James*

Date *12th April,* 1920

N.B.—The Bonds to be produced when required in support of any Claim.

Reverse side on p. 94.

No. 189.

INCOME TAX.

Foreign and Colonial Securities.

CERTIFICATE FOR REPAYMENT.

(To be used by Bankers and other persons deducting Tax and paying the same over to the Revenue.)

WE HEREBY CERTIFY that on paying to

(1) Name of the person presenting the Coupons, etc.

(1)____*B. Court and Co.*_____ _____of ___115 *Drapers' Gardens, E.C.*_____Coupons or Dividends of_____

(2) Nature of the Security.

(2)____*the Niger Railway Company*_____

as specified at the back hereof, which became due and payable __31*st December*_____1919____, we deducted Income Tax as follows; and we further certify that the Tax so deducted has been, or will be, paid over by us to the Revenue.

Gross Amount	£180 : — : —		Signature of the person who paid the interest or dividend	*J Barclay for J. Barclay & Co.,*
Tax deducted	52 : — : —	When paid *5th Jan.*, 1920.		
Nett amount	£128 : — : —		Address___27 *The Avenue, E.C.*	

Date____10*th April*, 1920.___

TO BE SIGNED BY CLAIMANT.

I hereby declare that the Coupons or Dividends above mentioned relate to Stocks which are my own property, and that the Bonds from which the Coupons were taken are in the possession of_____

(See Subsidiary Form 189 C.)

Signature_____

Date_____

N.B.—The Bonds to be produced, when required, in support of any Claim.

Reverse side next page.

Reverse of Form 189 *A*—

SPECIFICATION.

Date when Coupons were due, or, if payable abroad, date when realised.	Name and Address of Agent through whom collected.	Description of Security and Coupon Numbers.	Amount of Interest.	Amount of Tax deducted.
5/1/20	*F. Grey & Co.* *211 Gracechurch St., E.C.*	*Niger Railway Co.* *7431, 7432, 7433*	60 – –	18 – –
			60 – –	18 – –

Joint Holdings. Where a certificate is given by the person who deducted tax from certain foreign dividends or coupons (as shown above), but the dividends in question are owned by several persons one of whom has to make a separate claim to repayment, the banker or stockbroker, etc., who holds the securities may give a subsidiary certificate on Form 189 C, declaring that a certain part of the dividends, etc., referred to on the main certificate belongs to the particular person making the claim. The specimen Form 189 on p. 93 shows that J. Barclay & Co. received dividends from the Niger Railway Company (whose office is abroad), accounted for tax to the revenue and paid certain dividends less tax to B. Court & Co., Stockbrokers. The specimen Form 189 C on p. 103 contains B. Court & Co.'s certificate that certain of these dividends belonged to Miss F. June, who is claiming repayment. Both forms should be submitted by Miss F. June unless Form 189 has already been submitted by a person holding others of the shares referred to thereon. In the latter case the circumstances should be stated on Form 189 C.

Reverse of Form 189.

SCHEDULE OF COUPONS OR DIVIDENDS.

The numbers of Coupons or Warrants to be entered in Consecutive Order.						Aggregate amount of Coupons or Dividends.		
6,921 6,927	6,922 6,928	6,923 6,929	6,924	6,925	6,926	120 60	0 0	0 0
						£180	0	0

No. 189 C.

SUBSIDIARY INCOME TAX CERTIFICATE.

Foreign and Colonial Securities.

(To be used only by Bankers, Stockbrokers and others holding Securities on behalf of Clients.)

We hereby certify that the Coupons or Dividends of the

(1) Nature of the Security.

(1) *Niger Railway Company* as specified at the back hereof, which became due 31*st December* 1919, were paid or credited to us on behalf of *Miss Frances June* by

(2) Name of Banker or Agent by whom the tax was accounted for.

(2) *J. Barclay and Co.*, 27 *The Avenue, E.C.*

We further certify that the Securities herein referred to

(3) Amount of Bonds or number of Shares.

form part of a block of (3) £3,600 bonds or shares for which the original Certificate of deduction of tax is annexed hereto, or was lodged with the Claims Branch, Inland Revenue, on _____ 191 .

£60 ,, — ,, — Gross amount. Signature *B. Court for B. Court and Co.*,

£18 ,, — ,, — Tax deducted. Address 115 *Drapers' Gardens, E.C.*

£42 ,, — ,, — Nett Amount. Date 12*th April*, 1920

N.B.—This Certificate is useless unless supported by a certificate given by the person by whom the tax deducted was accounted for to the Revenue.

The Securities, in support of any Claim, to be produced when required.

Reverse of Form 189 *C.*

SCHEDULE OF COUPONS OR DIVIDENDS.

The Numbers of the Coupons or Share Warrants to be entered in consecutive order.							Aggregate Amount of Coupons or Dividends. £	s.	d.
6,924	6,925	6,926					60	0	0
Total number of Bonds or Shares....3.....at £400....each.							£60	0	0

Vouchers not in the claimant's name. It may happen that dividend vouchers bear the name of the owner's trustees. In this case the trustees should either make the claim themselves (see below) or should endorse the voucher in some such way as the following : " The property of John Wheeler who may claim repayment. (Signed) Henry Cox, trustee." The preceding note on joint holdings illustrates a case in which a subsidiary certificate is necessary. Where a person buys stock after the company's books are closed, the dividend top will bear the name of the seller, *i.e.* the former owner. The seller will receive the dividend less tax and will sometimes hand over the *nett* dividend to the buyer. The buyer may not claim repayment, however, unless he owned the stock on the day to which the dividend in question accrued (irrespective of the date on which it was paid). If this was not so the dividend is not income *to him*, but the former owner may claim repayment if entitled thereto.

By Whom a Claim should be made.

The list given on page 66, showing when a person must act on his own behalf and when on behalf of another, may be read also as applying to repayment claims. When *trustees* claim they should use a special form, No, 44. This form is similar to Form 40.

SPECIMEN CLAIM No. 1.

Form 40.

INCOME TAX REPAYMENT CLAIM.

Exemption, Abatement, and Reduction of Rate of Tax on Unearned Incomes.

The Spaces below must not be written on by the Claimant.

This form is for the use of a person resident in the United Kingdom. In the absence of special circumstances, temporary residence in the United Kingdom does not confer any title to relief from Income Tax.

The following particulars must be furnished by the claimant—

Full name of claimant *Thomas Slater*

If a lady, whether widow or spinster

If a widow, state as from what date

Occupation (if none, or retired, state "none") *Clerk*

Residence 12 *Mount Square, S.W.* 12

Money Order Office at which repayment is desired *General Post Office*

Name of Agent (if any)*

Has Repayment of Income Tax ever been claimed before? *No*

If so, state—

(1) When, and on what ground

(2) To what Office the Claim was sent

(3) The name in which the claim was made, and the address from which it was forwarded

If no previous repayment claim has been made, this form should be filled in and sent to the local Inspector of Taxes, to whom also application may be made for advice and assistance in filling up this form. His address may be obtained from the local Collector of Taxes.

If a previous repayment claim has been made, this form when filled in should be forwarded to The Secretary, Inland Revenue, (Claims Branch), Cecil Chambers, Strand, London, W.C. 2, together with any claim form or document which accompanied the Money Order sent in settlement of the previous claim.

* This space must be completed when the claimant wishes the repayment to be made to another person.

I hereby authorise

M

of

to receive on my behalf the repayment due upon this claim.

Signature of Claimant

Date 19 .

9—(1521) 20 pp.

It is important that the particulars

DECLARATION

* A married man must include his wife's income.

I declare that the following is a true account of my income and that I was resident in the United Kingdom for that period.

PARTICULARS OF PENALTIES
PRINTED HERE.

THE CLAIMANT MUST SET FORTH EVERY SOURCE OF HIS INCOME, HAS BEEN PAID

No. 1. **SOURCES OF INCOME.**

Any Bank or other Interest, whether taxed or not, must be included in the statement.

1 *As Clerk to F. Smith & Co.,*
14 George Street, E.C. (average)

2 *Dividends from the Wheel Manufacturing Co., Ltd.,*
£14 free of tax (Voucher attached)

3 *House at 27 Rook Lane, E.*
(receipt attached)

Total Amount of Income and Income Tax thereon .. £

No. 2. **Particulars of Charges on Income,** such as **Ground Rent, Annual Interest, etc.**

If there be no such charges, insert "NONE."

Nature of the Charge.	Name and Residence of Person to whom Payable.
(*a*) Ground Rent	on 27 *Rook Lane* payable to *A. Brooks* of *Lincoln's Inn*
(*b*) Mortgage or Loan ..	£ *Nil* at % on to of
(*c*) Other Annual Charge	*Nil*

* Total Charges and Income Tax thereon .. £

Total Amount of Income less charges, and amount of Income Tax thereon £

* These totals must be deducted from the totals shown in No. 1 as the claimant is

asked for on page 1 should be given.

OF INCOME.

from every source,* whether taxed or not, for the year to 5th April, 1920,
I therefore claim to be repaid the sum of £8 10s.

Signature *T. Slater*
Date *7th July*, 1920

WITH THE AMOUNT DERIVED FROM EACH SOURCE, WHETHER TAX ON IT OR NOT.

Year ended 5th April, 1920						Year ended 5th April, .				Year ended 5th April, .			
Income.			Tax paid or deducted.			Income.		Tax paid or deducted.		Income.		Tax paid or deducted.	
80	–	–	*Not assessed*										
20	–	–	6	–	–								
20	–	–	6	–	–								
120	–	–	12	–	–								
5	–	–	1	10	–								
5	–	–	1	10	–								
115	–	–	8	10	–								

entitled to deduct the Income Tax on these charges at the time when they are paid.

Dividends on Stocks Registered or inscribed in the books of the Bank of England, Government Annuities and payments received through the Supreme Court Pay Office. If Tax was deducted, complete this space, giving the capital amount of the stock, etc., but entering the income on page 2.

Full Title of Stock or Annuity, stating whether the Dividends are paid by post or through a Bank. If paid through a Bank, the name of the Bank should be stated.	Name or Names (in due order) in which the Stock or Annuity stands. If the funds are in Court, the correct Title of the Cause or Matter must be given, and the title of the account (if any) in the Supreme Court Pay Office books.	Amount of Stock, and if part of larger Sum state also larger Sum. £	s.	d.	Month and Year when Dividend or Annuity due from which deduction made.

SPECIMEN CLAIM No. 2.

Form 40b.

The spaces below must not be written on by the Claimant.

INCOME TAX—RELIEF IN RESPECT OF "EARNED" INCOME.

THE FOLLOWING PARTICULARS MUST BE FURNISHED BY THE CLAIMANT—

Full name of Claimant *James Porter*

If a lady, whether widow or spinster

Residence { *17 St. Mary's Road, N.* 16

Money Order Office at which repayment is desired }

Name of Agent (if any) *

Whether repayment of Income Tax has ever been claimed before } *No*

If so, when ?

---

* This space must be completed when the Claimant wishes the repayment to be made to another person.

I hereby authorise

M

of

to receive on my behalf the repayment due upon this claim.

Signature of Claimant

Date 19 .

When filled up the form should be sent to the Inspector of Taxes for the District in which the Claimant resides, to whom also the Claimant may apply for advice and assistance in filling up the form. The Inspector's name and address may be obtained from the local Collector of Taxes.

Dividends on Stocks registered or inscribed in the books of the Bank of England, Government Annuities an payments received through the Supreme Court Pay Office.

Full Title of Stock or Annuity, stating whether the Dividends are paid by post or through a Bank. If paid through a Bank, the name of the Bank should be stated.	Name or Names (in due order), in which the Stock or Annuity stands. If the funds are in Court, the correct Title of the Cause or Matter must be given, and the title of the account (if any) in the Supreme Court Pay Office books.	Amount of Stock, and if part of larger Sum state also larger Sum. £ s. d.	Month and Year when Dividend or Annuity due, from which deduction made.

DECLARATION.

I declare that the following is a true account of my income from **every source,** whether taxed or not, for the year ended 5th April, 1920, and that I was resident in the United Kingdom for that period. I therefore claim to be repaid the sum of £136 1 10.

Signature *J. Porter*

Date *10th April*, 1920

THE CLAIMANT MUST SET FORTH EVERY SOURCE OF HIS INCOME, WITH THE AMOUNT DERIVED FROM EACH SOURCE, WHETHER TAX HAS BEEN PAID ON IT OR NOT.

No. 1. Earned Income.—Source whence derived.	Annual Amount of Income from each source. £	s.	d.	Amount of Income Tax paid on, or deducted from, each source of Income. £	s.	d.
Manufacturer at 154 Queen Street, E.C. (*Receipt attached*)	1,650	–	–	495	–	–
No. 2. Income other than Earned Income.—Source whence derived.						
Taxed Dividends (*List and Vouchers attached*)	329	4	–	98	15	–
Total Amount of Income and Income Tax thereon....£						

No. 3. Particulars of Charges on Income, such as **Ground Rent, Annual Interest, etc.**

(If there be no such charges, insert "NONE.")

Nature of the Charge.	Name and Residence of Person to whom payable.	Annual Amount. £	s.	d.
(*a*) Ground Rent ..... (*b*) Mortgage or Loan .. £ at per cent. (*c*) Other Annual Charge	*Nil*			

* Total Charges and Income Tax thereon....£

Total Amount of Income less charges, and amount of Income Tax thereon.....£ 1,979 4 – 593 15 –

* These totals must be deducted from the totals of Nos. 1 and 2 as the Claimant is entitled to deduct the Income Tax on these charges at the time when they are paid.

SPACES FOR DETAILS FOR WHICH
THERE IS NO ROOM ON PAGE 3.

SPECIMEN CLAIM No. 3.

Form 39.

INCOME TAX.—LIFE INSURANCE CLAIM.

This form is intended only for an Income Tax Repayment Claim by a person resident in the United Kingdom. In the absence of special circumstances, temporary residence in the United Kingdom does not confer any title to relief from Income Tax.

The following particulars must be furnished by the Claimant—

Full Name of Claimant *Alice Rose Mortimer*

If a lady, whether Widow, or Spinster *Spinster*

Occupation (if none, or retired, state "None") *None*

Residence } *Royal Hotel Freetown*

Money Order Office at which Repayment is desired } *Freetown*

Name of Agent (if any)*

Whether repayment of Income Tax has ever been claimed before? } *No*

If so, when?

* This space must be completed when the Claimant wishes the repayment to be made to another person.

I hereby authorise

M

of

to receive on my behalf the repayment due upon this claim.

Signature of Claimant

Date 19 .

The spaces below must not be written on by the Claimant.

When filled in, this form is to be sent to the Secretary, Inland Revenue (Claims Branch), Cecil Chambers Strand, London, W.C. 2.

The declaration on page 2 must be signed.

9A—(1521)

SPACE FOR FURTHER

PARTICULARS, ETC.

SPECIMEN CLAIM No. 4.

Form 40 c.

The spaces below must not be written on by the Claimant.

INCOME TAX.

Relief in Respect of Children.

The following particulars must be furnished by the Claimant—

Full name of Claimant *Herbert Jones*

If a lady, state whether a Widow

Occupation (if none, or retired, state "none") *None*

Residence 4 *Cross Road, W. 7.*

Money Order Office at which repayment is desired *Ealing, Broadway*

Name of Agent (if any) *

Whether repayment of Income Tax has ever been claimed before *Yes*

If so, when? *For the previous year*

When filled in, this form is to be sent to the Inspector of Taxes for the District in which the Claimant resides, to whom also the Claimant may apply for advice and assistance in filling up the form.

The name and address of the Inspector may be obtained from the local Collector of Taxes.

* This space must be completed when the Claimant wishes the repayment to be made to another person.

I hereby authorise

M

of

to receive on my behalf the repayment due upon this claim.

Signature of Claimant

Date 19 .

The Declarations on pages 2 and 3 must be signed.

DECLARATION.

I declare that the child*ren*[1] named below (*two* [1] in number) *are* my child*ren* within the above definition,[2] that *they were* living on the 6th day of April, 1919, being the first day of the Tax Year to which the claim relates, and that the following particulars are true and correct in all respects, and I therefore claim to be repaid the sum of £7 6 3 (£65 *at* 2s. 3d.)

Signature *H. Jones*

Date *1st May*, 1920

Full Christian Names and Surname of each Child, using a separate line for each. (Where a step-child, it should be so stated.)	Date of Birth.	Place of Birth. (Precise address to be stated.)
Mary Jones	8/7/10	*4 Cross Road, W.*
Ellen Jones	31/3/13	

[1] If one child only, the certificate should be amended accordingly. If more than one, the number should be entered in words.

[2] Omitted here, but see under CHILDREN in Chapter V and Appendix.

DECLARATION OF INCOME.

(This page need not be filled up if a claim for the statutory abatement has already been lodged for the same year, or is sent herewith.)

I declare that the following is a true account of my income from every source, whether taxed or not, for the year to 5th April, 19 , and that I was resident in the United Kingdom for that period.

Signature

Date 19 .

THE CLAIMANT MUST SET FORTH EVERY SOURCE OF HIS INCOME, WITH THE AMOUNT DERIVED FROM EACH SOURCE, WHETHER TAX HAS BEEN PAID ON IT OR NOT.

No. 1. **Source of Income.**	Annual Amount of Income from each source. £	s.	d.	Amount of Income Tax paid on, or deducted from, each source of Income. £	s.	d.
Claim for abatement and lower unearned rate (by repayment) herewith, on Form 40. Total income £363. *H. Jones.*						
Total Amount of Income and Income Tax thereon....£						

No. 2. Particulars of Charges on Income, such as **Ground Rent, Annual Interest, etc.**

(If there be no such charges, insert "NONE.")

Nature of the Charge.	Name and Residence of Person to whom payable.	Annual Amount. £	s.	d.
(*a*) Ground Rent.....				
(*b*) Mortgage or Loan £ at per cent.				
(*c*) Annuity or other Annual Charge				
* Total Charges and Income Tax thereon.....£				
Total Amount of Income less charges, and amount of Income Tax thereon				

* These totals must be deducted from the totals shown in No. 1 as the claimant is entitled to deduct the Income Tax on these charges at the time when they are paid.

It remains now to give specimen claims to repayment, arranged according to the ground on which they are made. As such claims usually relate to past years, the specimens to some extent deal with the conditions prescribed by law prior to 1920/21. When this is the case the specific year is clearly stated.

Exemption.

The limits for which exemption is granted are stated on page 39 and (for years prior to 1920/21) on page 111. The specimen claim on Form 40 represents the following case for 1919/20. T. Slater has an average salary of £80 (over the years 1916, 1917, and 1918), on which no tax has been paid. For 1919/20 he received £14 dividends "free of tax," and owned a house assessed to property tax (Schedule A) £24 gross, £20 nett, duty paid £6. He paid £5 ground rent but no interest. *Receipts, etc., required.*—The dividend top or voucher for £14 and the collector's receipt for £6. He will be refunded all he has paid, except £1 10s. 0d., which he should have deducted (at 6s. 0d. in the £) from the ground rent (see page 62). The form should be completed as in Specimen Claim No. 1. If the claimant has other sources of income he should complete Form 40 precisely as he would complete page 3 of Form 11. This is shown on page 63.

Abatement.

The scales on which abatement was granted prior to the year 1920/21 are stated on page 111. A claim to abatement by way of repayment is made on Form 40, this being the form shown in Specimen Claim No. 1. The form is completed in the same manner whether the claimant is entitled to exemption or to abatement, the only difference being the amount of income shown and of repayment due. See therefore the preceding note under EXEMPTION.

Earned Income Relief.

The rules under which the earned income relief is allowed are stated on page 39. For the limits for years prior to 1920/21 see page 407. They apply to all cases of repayment exactly as to those in which the relief is allowed before tax is paid. In the example given James Porter is assumed to carry on a trade in

1919/20 in respect of which he has been assessed and has paid tax on £1,650 at 6s. 0d. He has dividends (gross) £329 4s. 0d. He should complete Form 40 B as shown in Specimen Claim No. 2, and should attach the income tax receipt and the dividend vouchers. (A list of the dividends should also be attached. No object would be served, however, by printing such a list here, although it is referred to on page 3 of the specimen claim.) See page 407 as regards *Rates*. He is entitled to be repaid at 1s. 6d. (6s. minus 4s. 6d.) on his earned income and at 9d. (6s. minus 5s. 3d.) on his unearned income.

£1,650 at 1s. 6d. = £123 15s. 0d.
£329 4s. 0d. at 9d. = £12 6s. 10d.

It will be observed that Form 40 B is completed in the same manner as page 3 of Form 11. (See page 63.)

Unearned Income Relief.

See page 407 for unearned income rates prior to 1920/21.

This claim is made on Form No. 40, if this is the only relief claimed, or if abatement, etc., is also claimed. If claimed with earned income relief also (as in the previous paragraph), Form 40 B is used.

Life Assurance.

The rules governing the allowance made in respect of life assurance are stated on page 48. Where repayment is claimed Form 39 should be used. In addition to the preliminary information on page 1, the claimant should give particulars of the premiums paid, on page 2, and of any income on which tax has been paid, on page 3. The income described on page 3 must, as a rule, not be less than six times the amount of the premiums in respect of which repayment may be made, and (for years prior to 1920/21) no income charged at the full rate may be shown until all income charged at a lower rate had been set down. Page 3 does not purport to set forth *the whole* of the claimant's income. (See Specimen Claim No. 3.)

Children.

The rules governing the allowances made in respect of children

are stated on page 41 and (for years prior to 1920/21) on page 167. Where repayment is claimed Form 40 C should be used. In addition to the preliminary information on page 1 the claimant should give particulars concerning his children on page 2 and should add, on page 3, a statement of his total income from all sources. Where such a statement has already been submitted a reference thereto will in ordinary cases suffice. (See Specimen Claim No. 4.)

Wife and Dependent Relatives.

The rules are stated on page 40.

Reliefs Allowed to Minors.

By the *Income Tax Act*, 1918 (*ss.* 25, 41), provision was made to meet the case of an income accumulating under trusts for the benefit of any person contingently on his attaining some specified age or marrying. The restriction as to the 3 years' repayment limit was removed, and on the contingency happening a claim could be made for any number of past years subject to the following conditions—

(1) That the person was entitled to repayment on any of the grounds enumerated on page 84 ;

(2) That the repayment should be made by reference to the total yearly income from *all sources ;*

(3) That the repayment should be for the *aggregate* (or balance of the) sums overcharged or undercharged in respect of all the years of the trust taken together.

Maintenance, Repairs, Insurance, and Management of Property.

See page 83. Repayment should be claimed on Form 99.

Bank Interest Claims.

The necessary certificate form (No. 40 A) may be obtained from a banker or from the Claims Branch, Cecil Chambers, Strand, W.C.2.

Stock Exchange, etc., Interest.

Form No. 40 A-1 may be obtained from the Claims Branch, Cecil Chambers, Strand, W.C.2.

Loss, Etc.

The claims referred to in Chapter IV are made in the first instance by letter to the Inspector of Taxes who will ask for any additional information necessary The usual three years' time limit does not apply in this case, as stated on page 86.

Foreign and Colonial Residents.

All letters, applications for forms, etc., should be addressed to the Claims Branch, Cecil Chambers, Strand, W.C.2. The time limit is three years.

Dominion Income Tax Relief.

See under this heading in Chapter VII. The form on which repayment is claimed is No. 40 E.

Half-yearly Claims.

Provisional claims (on Form 40 P.R.) are now permitted half-way through the year. A final claim is made at the end of the year.

CHAPTER XIII

SUPER-TAX

Liability—Rates—Returns—Procedure—Rules for Specific Sources of Income—Specimen Return—Legal Decisions.

Liability.

1. LIABILITY extends to all incomes which exceed a certain limit (estimated in accordance with Rule 3), the income of a husband and wife being considered in the aggregate. The limits and rates for 1920/21, 1921/22, and 1922/23 are as follows. (For rates in force prior to 1920/21, see page 408.)

Part of Income.	*i.e., part between.*	*Rate for* 1920/21. 1921/22, and 1922/23.
		s. d.
1st £2,000 of income	£ 0 and £2,000	NIL
1st £500 above £2,000	£2,001 and £2,500	1 6
2nd £500 above £2,000	£2,501 and £3,000	2 0
£1,000 above £3,000	£3,001 and £4,000	2 6
£1,000 above £4,000	£4,001 and £5,000	3 0
£1,000 above £5,000	£5,001 and £6,000	3 6
£1,000 above £6,000	£6,001 and £7,000	4 0
£1,000 above £7,000	£7,001 and £8,000	4 6
£12,000 above £8,000	£8,001 and £20,000	5 0
£10,000 above £20,000	£20,001 and £30,000	5 6
All above £30,000	£30,001 and upwards	6 0

Attention may be called to the SUPER-TAX TABLES printed at the end of this book. The table set out overleaf also illustrates the calculation of super-tax liability.

Aggregate Income.	*Duty for* 1920/21, 1921/22, *and* 1922/23.
Exceeding £0, not exceeding £2,000	Nil
„ £2,000 „ £2,500	1s. 6d. for every £ by which the income exceeds £2,000
„ £2,500 „ £3,000	£37 10s. plus 2s. 0d. for every £ by which the income exceeds £2,500
„ £3,000 „ £4,000	£87 10s. plus 2s. 6d. for every £ by which the income exceeds £3,000
„ £4,000 „ £5,000	£212 10s. plus 3s. 0d. for every £ by which the income exceeds £4,000
„ £5,000 „ £6,000	£362 10s. plus 3s. 6d. for every £ by which the income exceeds £5,000
Exceeding £6,000, not exceeding £7,000	£537 10s. plus 4s. 0d. for every £ by which the income exceeds £6,000
„ £7,000 „ £8,000	£737 10s. plus 4s. 6d. for every £ by which the income exceeds £7,000
„ £8,000 „ £20,000	£962 10s. plus 5s. 0d. for every £ by which the income exceeds £8,000
„ £20,000 „ £30,000	£3,962 10s. plus 5s. 6d. for every £ by which the income exceeds £20,000
Exceeding £30,000	£6,712 10s. plus 6s. 0d. for every £ by which the income exceeds £30,000

2. For purposes of super-tax the aggregate income is reckoned as follows—

Income which is assessed to income tax on the recipient	The amount of the income tax assessment in the year preceding that for which super-tax is to be charged.
Income taxed before receipt	The amount receivable on dates falling within the year preceding that for which super-tax is to be charged.
Deduct interest, ground rent, and other charges	The amount payable on dates falling within the year preceding that for which super-tax is to be charged.

An allowance for life assurance premiums was made until 1915 inclusive, after which it ceased.

These rules are elaborated on page 105, where various sources of income are dealt with specifically.

3. When a person dies in any year and his income in the preceding year was such as to render him liable to super-tax in the year in which death occurs, a part only of that year's super-tax is payable according to the proportion of the year which has elapsed before the date of death.

Returns.

4. Any person who is liable according to the above rules should give notice of his liability before 30th September in the year concerned. Further, the special commissioners may require a return from any person.

5. On giving notice within six months before 6th May in any year any husband and wife may be dealt with in all respects as if they are not married, save that the amount due shall still be calculated according to the aggregate income of both husband and wife, and apportioned between them *pro rata*. After seven days' notice to him the goods of a husband may be distrained to recover super-tax on the profits of his wife neglected to be paid by her. (*Income Tax Act*, 1918, *s.* 171.)

6. If any person without reasonable excuse fails to make any return or to give any notice required as stated above, he is liable to a penalty not exceeding £50. After judgment has been given for that penalty he is liable to a further penalty of a like amount for every day during which the failure continues.

Procedure.

7. Assessments are required to be made by the Special Commissioners, at their office in London (York House, Kingsway, W.C. 2). They are required to serve notice on the person assessed of the amount of the assessment and of the duty charged thereon.

8. A person aggrieved by an assessment may give notice of appeal (specifying the grounds thereof) within twenty-eight days from the date of the service of the notice, or within such further time as the special commissioners shall allow.

If more space is required than is provided by this form, details may be supplied on separate sheets, the totals only of the several heads of income, or of charges on income, being entered hereunder.

SUPER-TAX, 1922-23.

Return for the purposes of Super-tax for the year ending 5th April, 1923, of total Income from all sources as liable to Income Tax for the previous year (ended 5th April, 1922).

No. 1.—PARTICULARS OF SOURCES OF INCOME.

(If, under any of the heads (*a*) to (*e*), you have no income, write "NIL" in each such space.)

			Annual Amount of Income *without deduction of Income Tax.* £	s.	d.
(*a*) From Trade, Profession, Office, Employment or Vocation, viz.—	*Partner in D. Black & Co.* (*Share of 1921–22 assessment*) *6 Central Avenue, Brighton*		913	–	–
(*b*) From Property (including the annual value of the property which I own and occupy)—	*Deepdene, Brighton* (*Amount on which property tax was charged for 1921–22*)		120	–	–
(*c*) From the Occupation of Land—	*Nil*				
(*d*) From Bank and other Interest, Discounts, Annuities, Dividends, or other Income not already entered on this page—	(1) Income (gross) taxed before receipt, including dividends paid "free of tax."*	*Dividends (for 1921–22) gross amount*	2,170	–	–
	(2) Income in respect of which you were liable to be directly assessed to Income Tax.	*Nil*			
(*e*) Wife's Income, not already entered, including full particulars of the sources of Income. (Income from Property and from the occupation of Land may, if desired, be intered under Heads (*b*) and (*c*) respectively)—	(1) Income (gross) taxed before receipt, including dividends paid "free of tax."*	*Dividends (for 1921–22) gross amount*	1,235	–	–
	(2) Income in repect of which there was liability to direct assessment to Income Tax.	*Nil*			
		TOTAL....	4,438	–	–

No. 2.—PARTICULARS OF ANY CHARGES ON INCOME.

Nature of the Charge.	Name and Residence of the Person to whom Payable.	Annual Amount thereof. £	s.	d.
Ground Rents Annuities Patent Royalties Interest on Mortgages or Loans	*F. King, Brighton*	30	–	–
Amount of Mortgage or Loan. / Rate per cent.				
Other Annual Charges (if any)				
	Total Charges..	30	–	–
Total amount of Income *from all sources* (less charges) for Super-tax purposes, 1922–23		4,408	–	–

I declare that the above statement contains a full, just, and true account and return of the whole of my Income from every source whatsoever, computed according to the directions contained on page 2 hereof, to the best of my knowledge and belief.

Signature *D. Black*

Address *Deepdene, Brighton*

Date *27th July*, 1922

* It may save correspondence if it is definitely stated whether the amounts entered under this head represent the actual net amount received *plus* the Income Tax applicable thereto—see Directions.

9. The amount payable is required to be remitted to the Accountant-General of Inland Revenue, at his office, Somerset House, London, on or before the 1st January in each year.

10. The special commissioners are entitled to demand returns although the Act imposing super-tax for the year in question has not yet been passed (*Income Tax Act*, 1918, *s.* 210; *Bowles* v. *Attorney-General*, 1912.)

Rules for Specific Sources of Income.

Profits of trades, professions, or employments. The amount to be returned for purposes of super-tax for 1922/23 is the amount on which income tax was assessed for 1921/22 (probably on the average profit of 1918/19, 1919/20, and 1920/21). Where the profits of a firm have been assessed in one sum and a partner has to return his share thereof for super-tax purposes, he should estimate that share according to the rule prescribed for a partner who wishes to claim the earned income relief or personal allowances in respect of his share. As regards incomes from private companies, see the next page.

Fees from directorship or remuneration from any other office under a company, society, public body, etc. The amount to be returned for super-tax purposes for 1922/23 is the amount on which income tax was charged in 1921/22 (probably the amount received in 1921/22).

Property in the United Kingdom. The amount to be returned for super-tax purposes for 1922/23 is the amount on which property tax (income tax under Schedule A) was paid for 1921/22, less the amount on which repayment has been made in respect of repairs, maintenance, etc.

Profits from the occupation of land (farmers, etc.). The amount to be returned for super-tax purposes for 1922/23 is the amount on which income tax has been paid under Schedule B for 1921/22 (probably double the amount of the rent inclusive of tithe).

Interest, foreign income, etc., not taxed before receipt but assessed to income tax directly on the recipient. The amount to be returned for super-tax purposes for 1922/23 is the amount of the income tax assessment thereon for 1921/22. As regards income under certain dispositions, see page 107.

Dividends (and other income not referred to above) taxed before

receipt. The amount *receivable* on all dates within 1921/22 should be returned for purposes of super-tax for 1922/23. That is to say, the date which determines the year into which such income falls is that on which it *should be received,* irrespective of the period over which it was accruing. In the case of dividends this means dividends *declared* within the year. The gross dividends, etc. (not the amount due less tax) should be returned.

Deductions. See Rule 2, page 102, as to deductions in respect of interest, ground rent and other charges.

Husband and wife. See Rule 5 on page 103.

EXAMPLE.—D. Black is required to make a super-tax return for 1922/23. As explained above, this return will be identical, in most respects, with a statement of his aggregate income, for income tax purposes, for 1920/21. His income is assumed to be as set forth on the Specimen Super-Tax Return.

It will be seen that D. Black's income for purposes of assessment to super-tax for 1922/23 is £4,408. This will be charged according to the table given on page 101.

If (as under Rule 5, page 103) a separate return has been received from Mrs. Black, a proportion of the amount payable will be demanded from her, viz. $\frac{1235}{4408}$ of the amount payable.

Repeated reference has been made to the amount of income tax liability for the preceding year. This amount will, of course, have been determined many months before it is required to be known for purposes of super-tax. It will have been arrived at in accordance with the rules stated above. Where an assessment has been adjusted for income tax purposes according to the enactment set forth in Chapter IV, the adjustment holds good also for purposes of super-tax.

Particulars which the Special Commissioners may Require.

Under the Finance Act, 1922, *s.* 22, the Special Commissioners may require particulars in much more detail than they have hitherto had authority to demand. The new powers are set out in the following words—

(1) The Special Commissioners may, whether an assessment to super-tax has been made or not, require any individual who

has been required to make a return of his total income for the purposes of super-tax, to furnish to them within such time as they may prescribe, not being less than twenty-eight days, such particulars as to the several sources of his income and the amount arising from each source, and as to the nature and amount of any deductions claimed to be allowed therefrom, as they consider necessary.

(2) If any person without reasonable excuse fails to furnish within the time prescribed any particulars required under this section, he shall be liable to a penalty not exceeding fifty pounds, and after judgment has been given for that penalty to a further penalty of the like amount for every day during which the failure continues.

Undistributed Income of Certain Private Companies.

Prior to the passage of the Finance Act, 1922, a Super-tax assessment could have regard only to the income of a company which was distributed among its members, but the Act mentioned extends the liability to certain income which is not distributed. In brief, the new law regards as the income of the members of certain companies any profits which are not distributed by the company, but which might have been distributed so far as business requirements were concerned. This subject is dealt with in detail under SUPER-TAX in the second part of this book.

Income under Revocable and Certain Other Dispositions to be Treated as Income of the Disponor.

The Finance Act, 1922, requires certain income to be regarded as the income of a particular individual, notwithstanding that he may have disposed of the same under revocable or certain other dispositions. This matter mainly affects liability to Super-tax, and it is dealt with in full under the heading TRUST INCOME in the second part of this book.

Legal Decisions.

See the article under SUPER-TAX in the second part of this book.

PART II

DICTIONARY OF INCOME TAX PRACTICE

In the succeeding portion of this book the following abbreviations occur—

C. & I.R.A.	Customs and Inland Revenue Act
F.A.	Finance Act
F. (1909/10) A, 1910	Finance (1909-10) Act, 1910
F.A., 1914 (Sess. 2)	Finance Act, 1914 (Session 2)
F. (No. 2) A., 1915.....	Finance (No. 2) Act, 1915
H.T.A.	House Tax Act
I.T.A.	Income Tax Act
I.T.(F.D.)A.	Income Tax (Foreign Dividend) Act
R.A.	Revenue Act
T.M.A.	Taxes Management Act
V.M.A.	Valuation (Metropolis) Act

So far as is possible, references to old Acts have been replaced by references to the (consolidating) Income Tax Act, 1918. In a book on *Income Tax Practice* it is felt that the revised references should appear, even in quotations from judgments on the earlier Acts.

PART II

DICTIONARY OF INCOME TAX PRACTICE

ABATEMENT.

"Abatement" was the term used to describe the allowance made prior to Finance Act, 1920, to an *individual* whose total income did not exceed £700. Such a person was not required to pay tax on a certain portion of his income, and the amount which so escaped taxation was his "abatement." The scale of allowance was as follows (*F.A.*, 1898, *s.* 8) until 1914—

1898 to 1914 Scale.

Where the income exceeded	£160	but	did	not	exceed	£400	—	abatement	of	£160
"	"	"	"	£400	"	"	"	£500	"	"	£150
"	"	"	"	£500	"	"	"	£600	"	"	£120
"	"	"	"	£600	"	"	"	£700	"	"	£70

Thus, an individual whose income was £380 would pay tax on £380 minus £160, equals £220. Incomes not exceeding £160 were exempt.

The next scale, as from 1915/16 inclusive (re-enacted in *I.T.A.*, 1918, *s.* 11), was as follows—

1915 to 1919 Scale.

Where the income exceeded	£120	but	did	not	exceed	£400,	an	abatement	of	£120
"	"	"	£400	"	"	"	£600	"	"	£100
"	"	"	£600	"	"	"	£700	"	"	£70

Incomes not exceeding £130 were exempt.

Under the new scheme of gradation inaugurated by the Finance Act, 1920, these "abatements" have been replaced by the "personal allowance" (*see* p. 38) which is given to all taxpayers however large their incomes.

ABROAD.

See under Foreign Income; Foreign Traders; Missionaries; Non-residents.

It may be noted here, however, that any British subject whose ordinary residence has been in this country but who has gone

ABROAD—(*contd.*)
abroad for the purpose of occasional residence is still chargeable as a resident here. (*I.T.A.*, 1918. All Schedules, Rule 3.)

A person living abroad is chargeable in respect of any profits arising or property situated in the United Kingdom. (*I.T.A.*, 1918, Schedule D, Rule 1.)

Trades which for general purposes would be regarded as carried on abroad are held to be carried on in the United Kingdom when the seat of management is here. The subject is dealt with fully under RESIDENCE.

A manager employed abroad under an English company is not liable under Schedule E to tax on salary which is paid and spent abroad. (*Pickles* v. *Foster*, 1912.) But see the decision in *Thomson* v. *Bensted* under RESIDENCE.

ACCIDENTS.

An employer is entitled to charge as an expense in his accounts any sum compulsorily paid to an employee as compensation for an accident sustained in carrying on the business. Payments insuring himself against liability under the Workmen's Compensation Acts are similarly allowable.

The allowance in respect of life assurance premiums (see under LIFE ASSURANCE) does not extend to accident insurance policies. Where a policy covers both accident and death risks, only the portion of the premium relating to the death risk comes under the allowance. In an intricate combined case the insurance company would doubtless give information as to any decision arrived at with the authorities.

Compensation paid to persons other than employees may be charged as an expense in the trader's accounts provided that the accident in question was incidental to the trade itself. A brewery company was not allowed to deduct from its profits a sum paid in compensation to a visitor for injuries caused by the falling of a chimney, neither would a grocer be allowed to deduct the loss incurred through one of his window shutters falling on a man walking in the street. On the other hand, losses sustained by a railway company in compensating passengers for accidents in travelling should be deducted. (*Strong* v. *Woodifield*, 1906.) These examples

ACCIDENTS—(*contd.*)
have judicial sanction and illustrate the principle on which all such cases should be decided under case law. But the decision in *Strong* v. *Woodifield* is a strange one, and its application should usually be contested.

ACCOUNTANTS, BARRISTERS, OR SOLICITORS AT APPEALS.

If the local Commissioners refuse to allow such persons to plead before them, the appellant may appeal to the Special Commissioners who are *required* to hear them. "Accountant" means a member of an incorporated society of accountants. (*I.T.A.*, 1918, *s.* 137 (3).)

ACCOUNTANTS' CHARGES.

In considering whether accountants' charges are allowable as deductions from profits (Schedule D), attention must be paid to the nature of the service rendered. If the work performed is in the ordinary way of the trader's business (auditing his books, preparing his accounts, etc.) the charges are allowable, but not if they have to do with the flotation of a company, the issue of shares, or other capital matters. Fees for settling Income Tax assessments are always allowed.

ACCOUNTS.

In the case of trades, professions or employments (except employments under a company, society, etc.), the figures on which the assessment is based must be made up to the 5th of April preceding the year of assessment or to the date on which the trader, etc., usually closes his books. In the latter case the date taken must be in the year prior to the year of assessment. Thus, if a trader closes his books on 30th April, the assessment for 1922/23 should be based on the accounts to 30th April, 1919, 1920, and 1921, notwithstanding the fact that when he is called upon to make the return for 1922/23 (in May or June, 1922) he has closed his books for a later year (to 30th April, 1922). A taxpayer would no doubt be allowed to change the date to which his accounts are made up, provided that the commissioners were satisfied that the change was not made so as to diminish the amount of tax payable.

ACCOUNTS—(*contd.*)

The treatment a particular item has received does not make it conclusive that it should be so treated for income tax purposes. There are *dicta* to this effect in many cases, of which it will suffice to cite one : " The balance sheet is quite in accordance with what a trader in such circumstances would do. But it is a very different question that is raised here as to whether, though that may be a very proper operation in a trader's balance sheet, the sums which are received and which are proposed to be applied to redemption of capital can be properly regarded as profits under the Income Tax Acts." (Lord President *in Edinburgh Southern Cemetery Co.* v. *Kinmont*, 1889.)

The commissioners are authorized to call for the production of the trader's accounts if he appeals against the assessment they have made. (*I.T.A.*, 1918, *s.* 139.) His position will be made clear by judicial comments on a certain case brought before the courts. Speaking of the appellant, Mr. Justice Mathew said, " He was entitled to refuse the commissioners any opportunity of verifying his figures, but if he did that they were not bound by his affidavit." After certain particulars had been delivered and the commissioners refused to reduce the assessment in accordance therewith, Mr. Justice Rigby said, " There was a sufficient ground for suspecting the accuracy of the schedule and for the commissioners arriving at the conclusion that they should be satisfied with the assessment and dissatisfied with the schedule." (*Reg.* v. *Special Crs.*, 1893.) See also *Rex* v. *Kensington Income Tax Commissioners* (1914) under ASSESSMENTS.

The adjustment of accounts is dealt with in Chapter II.

See also AVERAGES UNDER SCHEDULE D.

ACCUMULATING INCOME.

See under MINORS.

ADDITIONAL ASSESSMENT.

See under ASSESSMENT.

ADVERTISEMENTS.

The cost of advertising falls on the border line of admissible and inadmissible expenses. In *Watney* v. *Musgrave*, 1880, Chief Baron Kelly objected to a claim " to deduct from the amount received

ADVERTISEMENTS—(*contd.*)

from the sale of beer the cost of advertisements by which the quantity of beer sold in the course of the year may be considerably increased, but which has no reference and bears no part at all in the production of the article." He continued: "Those expenses are of a totally different character from the mere cost of production, and in the absence of any Act of Parliament I cannot myself be the party to admitting what would be an entirely new principle in relation to the operation of the income tax." In a later case (*Gillatt and Watts* v. *Colquhoun*, 1884) Mr. Justice Grove went into the matter of advertisements a little more closely. He said: "I may mention advertisements as one class of outlay. No doubt it would be a most difficult question to settle because it may differ in different trades. *Some trades possibly may be founded very much upon advertisements*, and there may be a trade of advertising which is founded upon the value of such advertisements. It is a question of degree, and I do not at present go the length of saying that in no case can advertisements be deducted."

The essential point seems to be contained in the words italicized, and, taking into account other dicta in cognate cases, the rule would appear to be as follows. The cost of advertising may be charged in the accounts when it is incurred so as to sustain the current profits at their normal level. When the cost is abnormal in any year or has to do with a new business or a new branch a part of such cost may be disallowed. The practice is more liberal than the *dicta* quoted above (and particularly the first of them) would suggest.

AGENTS.

An agent is not recognized as the substitute for his principal for income tax purposes, save in the cases stated under FOREIGN INCOME and FOREIGN TRADERS. In other matters an accredited agent is allowed to act in non-legal matters, but his signature is not accepted on any statutory documents save where the Acts give him such legal authority to act as agent as would render him liable to any penalties which might otherwise be imposed on the principal. Among such cases are the following—

The trustee, guardian, tutor, curator or committee of any infant, married woman, lunatic, idiot or insane person or any such person

AGENTS—(*contd.*)

having the control of the property of such infant, etc; the trustee, etc., or factor, agent or receiver having the receipt of profits or gains belonging to any person not resident in the United Kingdom. (*I.T.A.*, 1918. All Schedules, Rules 4, 5, 13.)

Such persons are required to act in all matters relating to income tax as if for themselves; except that when the profits have been paid to the person entitled thereto (not including the case of a resident abroad, an infant, a married woman or a lunatic) the agent need only state the name and address of the person who has received the profits unless he is specially required to do more. (*I.T.A.*, 1918, *s.* 103.)

A person who receives profits for another person who is chargeable for them (or would be chargeable if a resident in the United Kingdom) is required to return particulars thereof when making his own return. (*I.T.A.*, 1918, *s.* 103.) This includes such cases as that of a firm transacting underwriting business on behalf of clients and accounting to them yearly for the profits. (*Lord Advocate* v. *Gibb*, 1906.)

An agent who is required to pay tax for his principal is authorized to deduct it from the profits of the latter. (*I.T.A.*, 1918, *s.* 106. All Schedules, Rule 4.)

In certain cases it has been emphasized that the agent, etc., must have the receipt of profits or gains belonging to the principal, otherwise the obligation stated above will not apply. (*Grainger and Son* v. *Gough*, 1896; *Crookston Brothers* v. *Furtado*, 1910.) As regards agents, etc., for non-residents, this necessity has been removed by the *I.T.A.*, 1918. All Schedules, Rule 16: see page 355.

See also under FOREIGN INCOME (as regards agents who receive it in the United Kingdom) and FOREIGN TRADERS (as regards agents for the sale of their goods in the United Kingdom).

ALLOTMENTS.

Allotments of land are assessable under Schedule A on their annual value in respect of the owner's profits therefrom, and under Schedule B on their annual value[1] in respect of the tenant's income

[1] Alternatively on one-third of the annual value if not used solely or mainly for purposes of husbandry.

ALLOTMENTS—(*contd.*)

therefrom. When the land is occupied as a market-garden, the tenant's profits are assessable under Schedule D on the average amount thereof. (*I.T.A.*, 1918, *Schedule B.*)

See also under FARMERS and under SCHEDULE B.

ALLOWANCES FROM ASSESSMENTS.

Allowances from assessments must not be confused with deductions from profits. The latter are dealt with under DEDUCTIONS. The former have been dealt with fully in Chapters V and VI of the first part of this book, but may be conveniently summarized here.

Summary of Allowances from Assessment.

After this summary there are set out the rules and procedure regarding the making of claims to allowances.

After the assessable income has been determined in accordance with Rule I of Chapter V (see also under ASSESSABLE INCOMES) the following allowances may be made.

(1) A personal allowance of £135 is granted to every individual other than a husband whose wife is living with him. This allowance applies to widowers, widows, bachelors and spinsters. (See under PERSONAL ALLOWANCE.)

(2) A personal allowance of £225 is granted to any individual whose wife is living with him for the year of assessment. (See under PERSONAL ALLOWANCE.)

(3) Where the total income of an individual includes earned income of his wife, the allowance of £225, under (2) above, may be increased by nine-tenths of the first £50 of his wife's earned income. (See under PERSONAL ALLOWANCE and also EARNED INCOME.)

(4) An individual who proves he has any child under the age of 16 living at the commencement of the fiscal year, or any child of 16 or over receiving full-time instruction at an educational establishment, is allowed a deduction of £36 in respect of one such child and a deduction of £27 in respect of every other such child. (See also under CHILDREN.)

(5) A widower with whom a female relative resides for the year of assessment for the purpose of having the charge of his children

ALLOWANCES FROM ASSESSMENTS—(*contd.*)

(as under (4) above) is allowed a deduction of £45. This deduction is also allowed where the claimant proves he has been obliged to employ some other female in place of a female relative for the purpose. (See also under DEPENDENT RELATIVE.)

(6) An unmarried individual with whom a mother or other female relative resides for the purpose of having the charge or care of that individual's brothers or sisters (who must come within the allowance under (4) above), is allowed a deduction of £45, provided such mother or relative is maintained at the claimant's expense and provided no other person is allowed a deduction in respect of the same person. (See also under DEPENDENT RELATIVE.)

(7) An individual proving that he maintains at his own expense—

(*a*) any relative of his, or of his wife, who is unable by reason of old age or infirmity to support himself or herself, or

(*b*) his or his wife's widowed mother,

is allowed a deduction of £25 provided that such dependent's income does not exceed £50 per annum. (See also under DEPENDENT RELATIVE.)

After the taxable income has been ascertained by the deduction of such of the above allowances as may be relevant, and after tax thereon has been computed in accordance with Rule III of Chapter V, relief may be granted on permissible life assurance premiums at the following rates of tax—

(1) At half the full rate of tax in all cases where the policy was taken out after 22nd June, 1916, and in all other cases where the aggregate income does not exceed £1,000 ;

(2) At three-quarters of the full rate of tax in all cases where the income exceeds £1,000 but not £2,000 ;

(3) At the full rate of tax in all cases where the income exceeds £2,000. (See under LIFE ASSURANCE.)

N.B.—The "full rate of tax" was 6s. for 1920/1 and 1921/2, and it is 5s. for 1922/3.

Rules and Procedure regarding Claims to Allowances.

Where the person concerned pays tax direct (*e.g.* in respect of his profits, salary, bank interest, etc.) the personal allowance is granted automatically. Where his income is taxed before he

ALLOWANCES FROM ASSESSMENTS—(*contd.*)

receives it (*e.g.* dividends, ground rent, etc.) he should claim repayment at the end of the year of assessment. In both cases the claim must be made by completing, on the prescribed form, a statement of total income for the financial year ended 5th April. In the former case the claim should be sent to the Assessor or the Inspector of Taxes from whom the form was received. Specimen claims are given on pages 55 to 64. Repayment claims are dealt with on pages 72 to 85.

In declaring the total income it should be remembered that the " legal income," and not necessarily the actual income, is concerned. Thus, the legal income from *property* is the amount of the nett assessment under Schedule A, *i.e.* the amount on which the landlord's property tax is charged; and when the claimant owns the house in which he resides this is still the amount which should be declared (there is a space at the foot of the form in which ground rent and interest should be inserted). The legal income from *farming* is the amount of the Schedule B assessment (*i.e.* the annual rent paid) unless the assessment has been adjusted, as is described under FARMERS. The legal income from *dividends* is the amount which accrued during the financial year, but in practice it is taken to be the amount which accrued to dates within the financial year; thus, if a person received dividends for periods ended (*a*) 31st December, 1919, (*b*) 30th June, 1920, (*c*) 31st December, 1920, (*d*) 30th June, 1921, (*e*) 31st December, 1921, he will include (*a*) in his claim for the year 1919/20 (ending 5th April, 1920), (*b*) and (*c*) in his claim for the year 1920/21, (*d*) and (*e*) in his claim for the year 1921/22, irrespective of the dates of payment. In cases where the claim is being made before the end of the financial year (for allowances from assessments on profits, etc.) the taxpayer must make the best estimate he can; if the dividends are fairly regular from year to year it is usual to insert the amount received during the previous year. It is important to remember that dividends are received " nett " and that the gross amount must be returned. If a dividend of £5 is paid less income tax at 5s. (amount received, £3 15s.), the legal income is £5; if a dividend of £5 is paid " free of income tax " (*i.e.* the company bears the tax) it must be regarded as a dividend of £6 13s. 4d. paid less income

ALLOWANCES FROM ASSESSMENTS—(*contd.*)

tax £1 13s. 4d., and £6 13s. 4d. is the legal income. The legal income from *ground rents* and *interest taxed before receipt* is the amount which accrued during the financial year, and the remarks just made regarding dividends apply here also. The legal income from *trade profits, salaries, interest received untaxed* and *foreign income* is the amount which, in each case, would be returnable for purposes of assessment. Details will be found in Chapters III and VI.

Income tax assessments are conclusive for purposes of determining abatements or allowances. (*I.T.A.*, 1918, *s.* 5.)

In reckoning the amount of total income, *for the purpose of determining what allowances are applicable*, deductions are made for ground rent and (usually) interest paid away, and for depreciation (Schedule D) and expenses (Schedule E) for which allowances had been made from the assessments; but not for life assurance (*I.T.A.*, 1918, *s.* 32) or children, etc. (*I.T.A.*, 1918, *s.* 12.)

Until 1914 a husband was obliged to include his wife's income on his claim, and a married woman living with her husband could make no claim except through her husband. See, however, the title to separate claims given by the Income Tax Act, 1918, *ss.* 8, 171, p. 284, and the method of computation required by the Finance Act, 1920, *s.* 25, as explained under HUSBAND AND WIFE.

The allowances is restricted to individuals (or "persons in the primary sense of the term"), and has been refused to a limited liability company (*Mylam* v. *Market Harborough Advertiser Co., Ltd.*, 1905) and to an unincorporated association (*Curtis* v. *Old Monkland Conservative Association*, 1906).

A partner should include on his claim (*a*) his personal income and (*b*) his share of the firm's assessment (as explained on pages 56 to 59) and of the firm's property, dividends, etc.

Persons who are not resident in the United Kingdom may claim the allowances and deductions only in the few cases stated under NON-RESIDENTS.

The annual value of a residence occupied rent-free was (and is) regarded as part of the occupier's income only when he has the right to let it, and so turn it into an item of pecuniary gain. The subject is dealt with fully under RENT-FREE RESIDENCES.

In *Walker* v. *Reith* (1906), a manufacturer left his business in

ALLOWANCES FROM ASSESSMENTS—(*contd.*)

the hands of trustees, requiring that the profits should be divided amongst certain employees, but that only 10 per cent. of such profit should be distributed in cash, the balance being credited to the employees but retained by the trustees to form a fund for paying out the whole of the testator's capital. It was held that for purposes of a claim to abatement an employee need only regard as income the 10 per cent. share of the profits actually receivable by him.

To owners of property allowances may be made as stated under LAND TAX and REPAIRS. Other allowances are dealt with under CLERGYMEN, DEPRECIATION OF PLANT AND MACHINERY, DRAINAGE, EMBANKMENTS, SEA WALLS AND TITHES. For allowances due to residents abroad, or to taxpayers with foreign income see under NON-RESIDENTS and DOMINION INCOME TAX RELIEF.

ALLOWANCES, VOLUNTARY.

Allowances made voluntarily (*e.g.* by one relative to another) are not assessable on the recipient nor regarded as part of his income for purposes of abatement. On the other hand, the person making the allowance may not regard it as a deduction from or charge on his income, for income tax purposes. (See also under GIFTS.)

In *Dalrymple* v. *Dalrymple* (1902) it was held that an allowance made under an agreement which might be revoked by either party was not a voluntary allowance so long as the agreement continued unrevoked.

ALMSHOUSES.

The trustees of an almshouse are exempt from income tax on any building belonging to and occupied by them (so long as it is not occupied by any officer whose income amounts to £150 per annum), and also from tax on rents payable to the almshouse funds provided that they are applied to charitable purposes. (*I.T.A.*, 1918, *Schedule A, No. VI.*) The term "almshouse" is not restricted to cases where provision is made only for people who are destitute. So long as the inmates are "poor" and there is a substantial charitable endowment, exemption may be allowed. (*Trustees of Mary Clarke Home* v. *Anderson*, 1904.) Yearly interest and government dividends received by an almshouse trust and applied to charitable purposes are not subject to income tax

ALMHOUSES—(*contd.*)

(*I.T.A.*, 1918, *s.* 37 *and s.* 39), but dividends on company shares and any other trading profits are liable.

See under CHARITIES for reference to an extension of the exemption under the Finance Act, 1921.

ALTERATIONS.

Money spent in the alteration of premises or fixtures is very frequently regarded as a capital expense which may not be charged against a trader's profits for income tax purposes. The assumption is that the alteration would not be made unless it were regarded as an improvement, and expense falling under the latter description is expressly forbidden to be charged. (See under IMPROVEMENTS.) In other cases a claim to allowance should be made.

ALUM MINES OR WORKS.

Alum mines or works are included with ironworks, gasworks and certain other concerns whose profits arise out of land, but to which the ordinary rules of Schedule A cannot well apply. They are assessable on the profit of the preceding year. In most other respects the rules of Schedule D (for profits of trades, etc.) hold good.

ANGLING RIGHTS.

See under FISHERIES.

ANNUAL INTEREST.

While INTEREST, generally, is dealt with under that heading, the subject of annual interest calls for separate notice. The essential considerations with reference thereto are: (*a*) that any person paying it, whether out of profits charged to income tax or not out of such profits, is allowed to deduct tax therefrom, in the former case at the rate of tax or proportion of rates in force while the interest accrued, and in the latter case at the rate in force on the date of payment (*I.T.A.*, 1918, *All Schedules, Rules* 19 *and* 20); and (*b*) that when a person pays, out of profits charged to tax, interest which is not annual, he is neither entitled to deduct tax in paying it nor, in many cases, to charge the interest as an expense in making his return for income tax purposes. (See under INTEREST as regards interest not being "annual"; and for special enactments regarding Interest to Bankers, Discount Houses, and members of the Stock Exchange.)

ANNUAL INTEREST—(*contd.*)

The term " annual interest " might seem to have to do simply with the length of the period over which the amount paid was accruing; but as the Acts speak of a " yearly interest or other annual payment . . . whether received and payable half-yearly or at shorter or more distant periods " (*I.T.A.*, 1918, *All Schedules, Rule* 19), some other basis of determination must be sought for. It may be stated, however, that the term has not yet been exactly defined and that each case must be dealt with on its merits. But most difficulties will be got over by an examination of two cases taken to court on the point and of judicial dicta thereon. In *Goslings and Sharpe* v. *Blake* (1889) it was held that interest paid to a banker on loans which lasted for less than a year was not yearly interest. The Master of the Rolls pointed out that a man might lend £1,000 for three months and charge " £30 for the use of it," or might charge " interest at the rate of 12 per cent. per annum." Both phrases amount to the same thing, and the fact that the latter phrase may be used does not make the £30 " annual interest." Because the loan was to be made for less than a year, " it is impossible to say that the sum of money is fixed with reference to being paid at the end of the year. It has nothing to do with a year. . . . It is calculated upon and fixed by the fact that the money is to be lent for three months, and not with reference to anything with regard to a year at all, except in the form of language." Lord Justice Bowen remarked: " It is not calculated on the supposition that the loan would last for a year, therefore it is not yearly interest when the loan does not last beyond the short period." The inference is that, had the loan run for a year or more, the interest would have come within the term " annual interest." In *Leeds Permanent Benefit Building Society* v. *Mallandaine*, 1897, the subject was the payments to a building society of certain sums which included part repayment of a loan and interest on the balance. Mr. Justice Wills said: " It seems to me that with the varying amount of interest payable every month it can hardly be called reasonably ' yearly ' interest, which, as a general rule, means 5 per cent., or 10 per cent., or whatever the percentage may be upon an ascertained and ascertainable sum."

In *Bebb* v. *Bunny* (1854) a person contracted for the purchase of

ANNUAL INTEREST—(*contd.*)

real estate agreeing to pay interest on the purchase money at 5 per cent. per annum over any period which should elapse between the date fixed for completion and the day on which the purchase money was actually paid. It was held that, as the interest was in fact paid over a period longer than a year, it should be regarded as "annual" or "yearly" interest and tax should be deducted therefrom. In *Davies* v. *Craven* (1907) a sum advanced on a Mortgage was made repayable upon the death of a certain person, with simple interest at 5 per cent. per annum from a certain date to the day of the death in question. It was held that the interest was annual.

It has been held that seven days' interest on a judgment debt is not "annual." (*In re Cooper*, 1912.)

In *Mayor, etc., of Gateshead* v. *Lumsden* (1914), the defendant, as an owner of property in streets made up by the plaintiffs, was charged with an apportioned share of the expenses of such making up. Instead of requiring immediate payment, the plaintiffs permitted the defendant to discharge the liability in such instalments as he desired, charging him interest on the unpaid balance at 5 per cent. per annum. In making the last payment (more than a year after the charge was incurred), the defendant sought to make a deduction on account of Income Tax on the total interest paid. It was held that the right of deduction did not exist, the interest not being yearly interest.

Sumner, L. J.: "I am unable to see how the words 'yearly interest' can apply to this transaction. There is no agreement for a short loan or a long loan. The debt is due and repayment is not enforced; only in that sense is there a loan. Truly speaking, there is simply a forbearance to put in suit the remedy for debt. The repayment might have been enforced at any moment. The debt might have been paid by the debtor at any moment. It carried interest by law, because under Section 32 of the local Act the local authority could and did attach a rate of interest to it. The fact that the rate of interest is calculable at an annual figure is, as was pointed out in *Goslings* v. *Blake* (page 123), immaterial. The debt here was well secured, and the creditor, unlike the creditor in *In re Cooper* (above), did not desire

ANNUAL INTEREST—(*contd.*)

immediately to enforce payment of it. The plaintiffs were no doubt to receive interest on it, but not in such a form as would apply to it the words ' any yearly interest of money ' in the Income Tax Act, 1918, All Schedules, Rule 19."

" I am, therefore, of opinion that the burden which falls on the defendant of showing that he has a right to make this deduction has not been discharged, and he fails in this appeal. I say nothing as to the position had he been able to show that this was a recognized mode of investing the corporation's money at interest."

The principle would appear to be as follows. When a loan is intended to last and does in fact last for less than a year, the interest thereon is not " annual " ; neither is interest " annual " when its amount varies, say, month by month (*e.g.* on a fluctuating bank overdraft). When money is lent for more than a year or for an indefinite period, and the interest is fixed on a yearly basis, it would be included in the definition of " annual " or " yearly " interest.

The method by which a person accounts to the Revenue for tax deducted from annual interest is described under ANNUAL PAYMENTS.

See also *dictum* under CHARITIES (page 164).

Also see under CORPORATION PROFITS TAX as regards that tax.

ANNUAL PAYMENTS.

This term does not only include payments made once a year. It also covers payments made by longer or shorter instalments so long as the amounts thereof are fixed with reference to a year or are paid, or intended to be paid, year after year. (See also under ANNUAL INTEREST.)

A person making an annual payment of the nature which will be described may have no allowance from his own assessment in respect thereof. Thus, a man whose income from property is reckoned as £410, but who pays ground rent £25 out of this, will have no reduction made in respect of the £25. But he is authorized to pay the ground rent less tax thereon, and in this way recoups himself. In the case given he would pay tax on £410, being tax on £385 for himself and tax on £25 for his ground landlord. The same applies to the other annual payments cited below.

When a man is thus entitled to deduct tax from payments

ANNUAL PAYMENTS—(*contd.*)

made by him he is bound to pay it over to the Crown. No personal allowance (life assurance, children, repairs to property, etc.) to which he may be entitled may operate so as to reduce his liability below the amount from which he had the right to deduct the tax. (*I.T.A.*, 1918, *s.* 17.)

When interest or an annuity is not paid out of income charged to income tax the payer is required to deduct tax and to hand it over to the Crown even though no assessment is made. (*I.T.A.*, 1918, *All Schedules, Rule* 21.) In this case he should deduct tax at the rate in force on the day of payment. In other cases, tax should be deducted at the rate or proportion of rates in force while the payment accrued. There are severe penalties for a refusal to allow tax to be deducted. (*I.T.A.*, 1918, *All Schedules, Rule* 23.) Any contract or agreement waiving the right to deduct tax is declared void. (*I.T.A.*, 1918, *All Schedules, Rule* 23.)

In the case of annuities paid out of a superannuation fund, however, the Commissioners may direct that tax shall be charged directly on the recipient under Case VI of Schedule D instead of by way of deduction. (See under SUPERANNUATION FUND.)

Otherwise, the rules referred to above cover all annual payments which are of the nature of income in the hands of the recipient, and which are made under a legal obligation. They include interest, ground rent, dividends, annuities and any other *similar* payments. In the cases of rent and of dividends special rules apply, for which see under RENT and DIVIDENDS.

In *Delage and another* v. *Nugget Polish Co., Ltd.* (1905), the plaintiffs, who were resident abroad, sold to the defendant company certain rights in a secret process, upon the terms that they should receive a fixed percentage of the gross receipts from the sale of the boot polish manufactured. It was held that the amount paid was an " annual payment " paid out of the profits of the company within the Income Tax Act, 1918, All Schedules, Rule 19, and that income tax should be deducted therefrom. It will be observed that the amount of this payment must vary from year to year, but the judge evidently considered it so obviously an " annual payment " within the section referred to that he hardly discussed this part of the case.

ANNUAL PAYMENTS—(*contd.*)

In re Cooper ; Cooper v. *Cooper* (1917) is an interesting case. Under a will which left pecuniary and specific legacies " free from duty," a widow was required to be paid " a sum of £50 in each and every calendar month during her life." It was held that tax should be deducted from this payment. Sargant, J., remarked that it was admitted that if the direction had been to pay £600 a year by annual payments that would have been an annuity within the Act, but it was contended that a payment of so much a month was not an annuity. He was inclined to think that the payment of £50 was an annuity. " Assuming it was not, it was an annual sum. Although it was payable with reference to an aliquot division of the year . . . the testator had contemplated payments extended over a year, and had adopted as the unit of payment one-twelfth of a year into which the calendar year was divided. . . . Looking at the substance of the matter . . . it was an annual payment in respect of which income tax ought to have been deducted."

In the case *In re Janes ; Wasmuth* v. *Janes* (1918), the husband agreed under a deed of separation to pay a weekly sum of £9 in trust for his wife. It was held that this was an annual payment, notwithstanding that it was paid weekly.

An exempt person resident in this country may claim repayment of tax deducted from any annual payment received by him.

ANNUAL VALUE.

Annual value is the basis selected for the assessment of property which is capable of occupation (*i.e.* lands, houses, buildings, etc.). It is stated to be the rent by the year for which the property is let at rack-rent (see under RACK-RENT), if the amount of such rent has been fixed by agreement within seven years preceding the year of assessment. If the property has not been so let at rack-rent the annual value should be taken as the rack-rent at which the property is worth to be let. (*I.T.A.*, 1918, *Schedule A, No. I.*)

For income tax purposes the annual value of property within the Metropolis must be taken as the amount fixed by the local Rating Assessment Committee as adjusted on any appeal under the Rating Acts. (*V.M.A.*, 1869, *s.* 45.) Outside this area it is determined by the local commissioners of income tax. The assessment should include the annual value of " things on the premises to be rated and

ANNUAL VALUE—(*contd.*)

which are there for the purpose of making and which make the premises fit as premises for the particular purpose for which they are used" (*Tyne Boiler Works Co.* v. *Tynemouth Union*, 1886), but not of movable subjects included in the lease. (*Campbell* v. *Inland Revenue*, 1879.)

In *Tyne Boiler Works* v. *Tynemouth Union*, the machinery included in the rating (and similarly income tax) assessment was owned by the tenants. It was of a heavy character, including an engine, a boiler, shafting, and travelling cranes. Such machines were mainly separate and distinct from each other, some being attached to the ground and others resting there by their own weight or on prepared foundations. In *Gifford, Fox & Co.* v. *Overseers of Chard* (1886) framework lace machines (bobbinets) fixed to the floor to steady them were included in the annual value of the premises. In *Laing* v. *Overseers of Bishopwearmouth* (1878) it was held that, in determining the annual value of premises for rating purposes, the following machinery should be taken into consideration, viz., boilers set in masonry with pipes passing through the buildings and underground; engines standing on iron bed plates bolted to stone foundations; shafts fastened to the walls; machines separate from each other, some being bolted to concrete foundations, and others simply resting on prepared beds. Some of the machinery and plant could be moved without injury, but all was used for the purposes of the business of the owner and occupier of the premises. Lord Justice Lopes's dictum in the *Tyne Boiler Works* case is of interest. "It is clear that personal property such as machinery is *per se*, not rateable, but, if attached so as to be either a landlord's or a tenant's fixture, or a trade fixture, it is equally clear that it is rateable as increasing the value of the premises, and the rent which a tenant from year to year might give for them. But then there are things which, though they may not be physically attached, or may be removable without damage to themselves or the freehold, are so placed on the premises, and so essential to their use for the purpose for which they are used, and so much intended to be used with them for that purpose, that they have practically become for the time being part of the premises, I am of opinion that they must be taken into account in estimating the rateable value of the premises."

ANNUITIES.

Annuities are a distinct subject of charge to income tax, falling under the same provisions as interest. The only exception relates to the payment of an annuity out of a superannuation fund (see under SUPERANNUATION). In this case the Commission may direct tax to be charged directly on the recipient under Case VI of Schedule D on the actual income of the year, instead of by way of deduction at the source.

The question which most frequently arises with regard thereto is whether particular payments are properly regarded as annuities. The fact that they include repayment of capital is immaterial. So long as the instalments in question are regarded as annuities, tax is chargeable on the full amount thereof.

The word "annuity" does not include payments which merely represent the repayment of a debt by instalments. (*Secretary of State for India* v. *Scoble*, 1903.) The fact that a sum is described as an annuity does not decide the question. The real nature of the transaction involved must be looked at. (*Nizam's State Railway* v. *Wyatt*, 1890.) The determining principle is that where there was in the first place a debt which was incurred in pursuance of a purpose other than that of its subsequent repayment by instalments, the instalments (which may have chanced to be the means of repayment afterwards selected) may not be described as an annuity. In all cases where there was not this antecedent debt, periodic payments of the nature referred to are liable to taxation as instalments of an annuity. Where the payments are to be made according to the length of a certain life, or are determined by a consideration other than of the amount of an antecedent debt, these facts alone suffice to bring them within the meaning of the word under notice.

Chadwick v. *Pearl Life Insurance Company* (1905) is an instructive case. The owner of a lease received a gross rental of £1,925, from which he paid a ground rent of £300. He sold his interest for £1,000, the purchaser contracting to pay the ground rent and to pay the vendor the sum of £1,625 per annum in quarterly instalments until the lease terminated. It was held that the payment of £1,625 constituted an annuity from which tax should be deducted. Mr. Justice Walton said: "If there is a sum of money owing by a

ANNUITIES—(*contd.*)

debtor to his creditor, and it is agreed between them that the debt shall be paid by annual instalments, it is admitted that the annual instalments are not annual payments (within the meaning of the Income Tax Acts); further than this, it appears . . . that where the debt and the obligation to pay the instalments are created by the same instrument the same rule applies, and the instalments are not annual payments. It is obvious that there will be cases in which it will be very difficult to distinguish between an agreement to pay a debt by instalments, and an agreement for good consideration to make certain annual payments for a fixed number of years. In the one case there is an agreement for good consideration to pay a fixed gross amount, and to pay it by instalments; in the other there is an agreement for good consideration not to pay any fixed gross amount, but to make a certain, or it may be uncertain, number of annual payments. The distinction is a fine one and seems to depend on whether the agreement between the parties involves an obligation to pay a fixed gross sum. In the present case . . . I asked the plaintiff's counsel what was the gross amount payable, but received no satisfactory answer to the question. It is plain to me that no estimate of any gross amount was involved in the contract between the parties."

The law relating to the deduction of tax from annuities will be found stated under ANNUAL PAYMENTS. This tax is accounted for to the Revenue by the person or concern paying the annuities, whether by the Bank of England (in the case of annuities payable out of any public revenue) or by a private individual or a trading company.

As regards premiums paid for Annuities see under LIFE ASSURANCE.

APARTMENTS.

Profits made in letting unfurnished apartments are not assessable unless service is also provided. Such profits are considered to be included in the assessment under Schedule A (property tax). Profits made in letting furnished apartments are assessable under Schedule D. The basis on which such profits should be calculated is stated under FURNISHED HOUSES. (See also under PAYING GUESTS.)

APPEALS.

Any person—including the owner of lands concerned or a person in receipt of rent from lands—*I.T.A.*, 1918, *s.* 136—may appeal against his assessment if he gives notice of his objection within twenty-one days of being notified of the assessment. This notification is either delivered personally or (in the case of houses and lands) by public notice. In the latter case, persons assessed are entitled to inspect the assessment. (*I.T.A.*, 1918, *s.* 134.)

At the appeal the inspector and the assessor are entitled to be present during the whole time of the commissioners hearing and determining the appeal (*I.T.A.*, 1918, *s.* 137), but it is now decided that this does not give them the right to remain with the commissioners if the appellant is ordered to retire. (*Rex* v. *Brixton Income Tax Commissioners*, 1913.)

The commissioners may order, or the appellant may require, the valuation of any property concerned by a valuer named by the commissioners. The expense of such valuation must be borne by the appellant unless the commissioners consider his action justified by the facts. (*I.T.A.*, 1918, *s.* 138.)

The commissioners may require the appellant to submit "a schedule containing such particulars as they shall demand under the authority of the Inland Revenue Acts respecting the property or profits." They may further require the appellant to answer questions, and to swear to the accuracy of the particulars supplied.

The commissioners may summon any person to give evidence on oath, except the appellant's clerk, agent or servant. The last-named witnesses, like the appellant himself, may refuse to answer any question or to take an oath. (*I.T.A.*, 1918, *s.* 144.) As to the effect of such refusal and the production of the appellant's accounts see under ACCOUNTS.

The commissioners are required to decide after hearing legal evidence (*I.T.A.*, 1918, *s.* 144, 145), but may decline to hear any evidence whose purport they know and consider immaterial. (*Rex* v. *Commissioners for Offlow*, 1911.)

Where the appellant is at fault and the particulars required have not been supplied or are considered inaccurate, the commissioners may charge him at treble duty on the whole or part of the increased assessment. (*I.T.A.*, 1918, *s.* 146.)

APPEALS—(*contd.*)

Any assessment may be increased at the appeal. (*I.T.A.*, 1918, *s.* 146.)

In Ireland the appeals are heard by the special commissioners, subject to further appeal to the assistant barrister. (*I.T.A.*, 1918, *ss.* 195, 196.)

In Great Britain any appellant assessed under the rules of Schedule D may require the appeal to be heard by the special commissioners. (*I.T.A.*, 1918, *s.* 148.) See also under SPECIAL COMMISSIONERS.

The decision arrived at on any appeal is final, except that, if the appellant or the inspector immediately expresses his dissatisfaction therewith on a point of law, he may, within twenty-one days, pay 20s. to the clerk, and require the commissioners to state a case for the opinion of the High Court. The assessment is dealt with according to the decision of the High Court, subject to further appeal to the Court of Appeal, and thence to the House of Lords. (*I.T.A.*, 1918, *s.* 149.) See also under HIGH COURT APPEALS.

Adjustments may be claimed at the end of the year as follows—

(1) If, during the year of assessment, a person ceases to exercise his trade, profession, employment, or vocation, or dies, or becomes bankrupt, he, or his executors, may, within three months of the end of the year, apply to the commissioners, who will amend the assessment as they think just, and order repayment of the sum overpaid. If any person has succeeded to such concern it must be proved that the profits have fallen short for some specific cause. (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 3.) See Chapter IV for examples ; also under SPECIFIC CAUSE as to limitation of right to demand adjustment of assessment.

(2) When a business concern has been set up within the year of assessment or the three years preceding, a claim may be made for the assessment to be based on the actual profits of the year, and for the repayment of any sum overpaid. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 8 (1).) See Chapter IV for an example.

(3) On the cessation of any business, the person assessed may apply to be charged on the actual profits of the year, and may claim repayment of any tax paid in the three previous years in excess of

APPEALS—(*contd.*)

that payable if the assessments had been made on the actual profits of each year. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 8 (2).) See Chapter IV for an example.

(4) In the event of loss, the person assessed may, on application within six[1] months of the year of assessment, be repaid so much of the tax paid on his aggregate income for the year as is equal to the tax on the amount of the loss. When this is done, the loss may not be brought into the average in making assessments for subsequent years. (*I.T.A.*, 1918, *s.* 34.) See Chapter IV for examples ; also under Losses.

(5) See also under Specific Cause.

None of the adjustments described above may form the subject of an appeal to the High Court. (See page 297.) See also under Accounts, Accountants, Etc., at Appeals.

APPRENTICES.

Apprentice fees are assessable on the recipient. They should be included with his other profits. The cost of the keep of apprentices who live in may be charged as an expense in the trader's or professional man's books.

APPROPRIATE RATE.

Under the system of graduated taxation inaugurated by the *Finance Act*, 1920, the phrase " appropriate rate " has two applications—one in the case of the life assurance allowance, the other in the case of Dominion income tax relief.

In the first case, the " appropriate " rate of tax at which relief is granted is dependent mainly on the amount of income, being, for 1922/23—

(*a*) 2s. 6d. in the £ in all cases where the assurance policy was taken out after 22nd June, 1916 ; and in all other cases where the aggregate income does not exceed £1000 ; (*b*) 3s. 9d. in the £ in all cases where the income exceeds £1,000 but not £2,000 ; (*c*) 5s. in the £ in all cases where the income exceeds £2,000.

In the case of Dominion Income Tax Relief the phrase " appropriate rate " refers to a rate of United Kingdom tax which is

[1] In practice twelve months.

APPROPRIATE RATE—(*contd.*)

calculated by dividing by the amount of the taxable income the amount of tax payable on that income before deduction of assurances, and adding thereto, where there is liability to United Kingdom super tax, a rate of tax calculated by dividing the amount of Super Tax payable by the total income from all sources for Super Tax purposes. (See DOMINION INCOME TAX RELIEF and LIFE ASSURANCE.)

ASSESSABLE INCOME.

The Assessable Income of an individual is the total income computed in accordance with the Income Tax Acts *less* the allowance in respect of earned income (not including the allowance in respect of wife's earned income, which is part of the personal allowance and serves as a deduction in ascertaining the "taxable income").

ASSESSMENTS.

Income tax is imposed annually, and assessments are made for each year commencing on 6th April.

Under Schedules A and B the amounts of the assessments remain in force for several years, unless a person was omitted in the first year or becomes liable in the second or third year. Where premises are altered, a new subject of charge is usually considered to arise.

In the Metropolis the full and just yearly rent is deemed to be the gross value stated in the valuation lists of the local assessment committee. (See under LONDON.)

Notices requiring returns are fixed by the assessors on church doors and market houses, and individual notices are also served. (*I.T.A.*, 1918, *ss.* 98, 99, 107.) Returns must be made to the assessors, who deliver them to the general commissioners, unless a special assessment is asked for. (See under SPECIAL ASSESSMENTS.)

Under Schedules A, B and E the assessors make assessments to the best of their judgment. They are delivered to the inspector, with the returns, for his examination. The inspector may rectify them, if necessary, after which they are considered by the general commissioners who make such assessments as they think fit. In *Berry* v. *Farrow and Searcy* (1913), it was held that the commissioners are required by the Income Tax Act, 1918, s. 134, to give notice

ASSESSMENTS—(*contd.*)

of assessments under Schedules A and B either by public notice or by personal notice to each person charged, and that this requirement is extended to assessments under Schedule E by section 208 of that Act, and to additional first assessments by section 125. By section 220, a personal notice may be delivered to the person charged or left at his usual or last known place of abode. The plaintiff succeeded in an action for damages for illegal distraint inasmuch as the only notices of assessment served were left at the office of the company of which he was manager. He rarely attended such office and did not receive the notices. In these circumstances the office was held not to be his usual or last known place of abode. Now see below, however, as to the place of assessment.

Under Schedule D the assessor delivers to the inspector a list of persons whom he has served with forms, and estimates the liability when no returns are made. The clerk to the commissioners makes an abstract of the returns in books. The inspector examines the returns and the assessor's estimates, after which the additional commissioners make such assessments as appear just, and deliver them to the general commissioners. Notices of the assessments may not be given to the persons assessed until fourteen days after this delivery has been made, and notice thereof has been given to the inspector. For subsequent procedure, see under APPEALS.

If, after the first assessments have been signed and allowed, the inspector discovers any omission or under-charge, or that a person charged has not made a full and proper return, or that any allowance has been improperly granted, he may, under Schedules A, B and E (and within three years of the expiration of the year of assessment), certify the matter to the general commissioners, who are required to sign an additional first assessment, subject to appeal. In cases under Schedule D, the additional commissioners are required, within the same period, to make an additional first assessment, subject to the objection of the inspector and to appeal. (*I.T.A.*, 1918, *s.* 125.) In *Rex* v. *Kensington Income Tax Commissioners* (1914) it was held that an additional assessment held good so long as the Additional Commissioners signed it within the three years mentioned; also that the inspector of taxes is entitled to put the

ASSESSMENTS—(*contd.*)

additional commissioners in motion without legal evidence of the liability of the person to be assessed (Bray, J.: "We must ask ourselves: Has the inspector any rights given him to obtain legal evidence? He has none. Up to this point he has no right whatever to see the books of the taxpayer, or to make anybody in the service of the taxpayer or anybody else make an affidavit. It would seem, therefore, most unlikely that the Legislature should have intended by the word 'discover' that he was to ascertain by legal evidence. It provides for a later trial, if I may call it so, of the question when either party appears.")

In any cases of under-assessment, the inspector may make a surcharge on the persons liable, which must be signed by the general commissioners, subject to appeal. Where the commissioners consider that satisfactory information is not given by the appellant, they may charge him in treble duty. (*I.T.A.*, 1918, *s.* 126 to *s.* 129.)

No assessment or charge may be impeached by reason of a mistake therein, provided that the notice of charge is duly served on the person intended, and contains in substance, the particulars on which the charge is made. (*I.T.A.*, 1918, *s.* 216.)

Where any assessment, duplicate, return or other document has been lost, defaced or otherwise rendered useless, the Commissioners are empowered to proceed as if an assessment or duplicate had not been made, or the return or other document had not been furnished. (*Finance Act*, 1920, *s.* 61.)

The profits of trades, professions, etc., are assessable at the place where such concerns are carried on. Manufactures are chargeable at the place of manufacture and not at the place of sale. Companies are chargeable at their registered offices, these being the places where the concerns are managed. Other profits are chargeable at the house of the householder to whom they accrue, and in the case of persons who are not householders the assessments are made at the ordinary place of residence (or the place of residence at the time when the notices requiring returns were issued). (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 4.)

In *Kensington Income Tax Commissioners* v. *Aramayo* (1915) the House of Lords were unanimous as to the illegality of assessing

ASSESSMENTS—(*contd.*)
a trader at his place of residence. In consequence of the inexpediency, for administrative reasons, of conforming to this decision, the *Income Tax Act*, 1918, *Schedule D, Miscellaneous, Rule* 4, enacts that a person may be charged under Schedules D and E by the Commissioners for the parish in which he ordinarily resides (whether or not he is engaged in business or employed elsewhere). Any double assessment of the same subject is to be remedied.

In *Rex* v. *The Kensington Income Tax Commissioners* (*ex parte Aramayo*) and in *Rex* v. *St. Giles and St. George, Bloomsbury Income Tax Commissioners* (*ex parte Hooper*), the Courts considered the jurisdiction of Income Tax Commissioners to make additional assessments on the strength of information given to them by the Inspector of Taxes. It was held that the Commissioners have such jurisdiction where the Inspector honestly comes to the conclusion that liability exists, and that the only way of challenging the assessment thereupon made is by way of appeal as prescribed by the Income Tax Acts. The Lord Chief Justice—" I am of opinion that it is for the Commissioners to decide whether or not a person assessed by the Additional Commissioners after ' discovery ' by the Surveyor, is in fact chargeable. But there must be information before the Surveyor which would enable him, acting honestly, to come to the conclusion that a person is chargeable."

In *Gresham Life Assurance Society* v. *The Attorney-General* (1916) the Company contended that a letter received from the Inspector of Taxes stating what would be the Company's liability to taxation in certain succeeding years was binding on the Assessing Authorities. It was held that the Surveyor of Taxes had no power to bind the Assessing Authorities and that the letter did not purport to bind the Taxing Authorities as regards procedure in subsequent years.

ASSESSOR.

The assessors of taxes are the local officers whose duty it is to affix public notices, to serve forms requiring returns and to estimate a person's liability where no return is made or the return made is unsatisfactory. They are appointed by the local commissioners,

ASSESSOR—(*contd.*)
and the persons selected are compelled to accept the office, except that no person inhabiting any city, borough, or town corporate may be compelled to be assessor for a place outside its limits. (*I.T.A.*, 1918, *s.* 76.)

In the majority of cases the appointment is held by the person who acts as collector. The remuneration is fixed and paid by the Board of Inland Revenue, but it may not be less than that paid for 1888 (for Schedules A and B) or 1890 (for Schedules D and E). (*I.T.A.*, 1918, *s.* 78.)

ASSETS.

The Income Tax Acts ignore assets as a general rule. Whether they decrease or increase in value, in the course of trading, is immaterial to the assessment. The only exception is where a person or company makes a practice of varying his or its assets with a view to profit. This is dealt with under PROFITS. A special allowance is made for the wear and tear of plant and machinery. (See under DEPRECIATION.) An important matter is discussed under EXHAUSTION OF CAPITAL. Other notes appear under CAPITAL, CEMETERIES, FURNITURE, HORSES, INVESTMENT COMPANIES, INVESTMENTS, TYPEWRITERS, etc., etc.

ASSOCIATIONS.

See under CLUBS; SUBSCRIPTIONS; SUPPLY ASSOCIATIONS; TRADE ASSOCIATIONS.

ASYLUMS.

An asylum may be exempted from income tax under Schedule A (property tax) either on the ground of Crown privilege or as a hospital provided substantially for charitable purposes. Exemption may be claimed on the first ground only in cases such as that of a county lunatic asylum, where the property may be regarded as being in the occupation of the Crown.

The public buildings, offices and premises belonging to a hospital may be exempted under Schedule A, provided that no individual officer whose income amounts to £150 per annum or any person

ASYLUMS—(*contd.*)

who pays rent for his quarters resides thereon. In *Needham* v. *Bowers* (1888) this exemption was refused to a self-supporting institution for the insane in which some patients paid sufficiently well for poorer ones to be supported without payment, although it was founded by charitable donations and made no profit. In *Cawse* v. *Lunatic Hospital, Nottingham* (1891), exemption was allowed to an asylum with substantial charitable endowments, although some patients were taken at remunerative prices. The distinction between these cases is that the first institution was practically self-supporting, whereas the second was greatly dependent on the income from its endowment. " The question is not," said a judge in the latter case, " whether this institution does or does not in any particular year receive payment from patients which enables it to pay its way. The question is, what is the character of the institution itself ? In this case there is a substantial endowment."

See reference to an extended exemption (granted by the Finance Act, 1921) under CHARITIES.

AVERAGES.

The normal three years' average, other averages, and exceptions to the average system are dealt with in Chapters III and IV. The following is a list of the various averages and the nature of the concerns affected.

Assessable on the profits of the year of assessment. Interest arising from foreign and colonial securities (on the amount received in the United Kingdom for all years up to and including 1913/14); salaries, etc., arising from an office under a company, society, etc., excluding subordinate positions (Schedule E); salaries from any employment whatever (from 1922/3.)

Assessable on the profits of the year preceding the year of assessment. Interest received without tax having been deducted; perquisites arising from an office under a company, society, etc. (Schedule E, by concession, as regards fluctuating emoluments); tithes arising from land, compounded; rents and money payments in lieu of tithes arising from land; fines on a demise of land or tenements; quarries of stone, slate, limestone or chalk; ironworks,

AVERAGES—(*contd.*)

gasworks; salt springs or works; alum mines or works; waterworks; streams of water; canals; inland navigations; docks; drains and levels; fishings; markets and fairs; tolls; railways; bridges; ferries.

Assessable on the average profits of three preceding years. Trades, manufactures, adventures and concerns in the nature of trade; professions, certain employments (Schedules D and E but up to 1921/2 only), and vocations; income from foreign and colonial possessions; tithes taken in kind; dues and payments in right of church or by endowment, or in lieu of tithes not arising from lands and of teinds in Scotland; perquisites arising from an office under a company, society, etc.

Assessable on the average of the five preceding years. Mines of coal, tin, lead, copper, mundic, iron, and other mines.

Assessable on the average profits of the seven preceding years. Dues and other casual profits of manors and royalties.

See also under QUARTERLY ASSESSMENTS.

AVERAGES UNDER SCHEDULE D.

This subject is dealt with in detail in the early chapters of this book. The decision referred to below has particular reference to the opening months of business.

In *Steamship "Glensloy" Co., Ltd.* v. *Lethem* (1914) the company acquired its ship and commenced trading in September, 1911. Its first accounts (covering one year sixty-nine days) were made up to 20th November, 1912. The company could also ascertain its profits up to 25th July, 1912, on which day the first two voyages closed. The question was the basis of assessment for the fiscal year 1912/13. The company contended that as that year began on 6th April, 1912, the profits to November, 1912, could not properly form the basis for the computation of the average profits. It suggested that the profits to July, 1912 (the earliest possible date to which profits could be computed), should form the basis.

It was held that the company was wrong. *Lord President:* "Now, the appellants say that the method adopted is wrong, because to take the trader's own account involves an invasion of the year of assessment to the extent, I think, of some 229 days;

AVERAGES UNDER SCHEDULE D—(*contd.*)

because it involves an encroachment on the year from 5th April, 1912, to 5th April, 1913—from 5th April, 1912, to 20th November, 1912. And they contend that there is an inflexible rule, as I understood their argument, of Income Tax law that you must never, in assessing the trading profits of one year, encroach upon that year. Accordingly to avoid invasion of the year of assessment, a different rule must be applied. . . . When they come to apply their own method—the method which they themselves suggest, it hopelessly breaks down, because, in order to bring out the figure which I mentioned a short time ago was their alternative to the Commissioners' assessment, to wit, £1,762, they require to encroach upon this very year of assessment to the extent of 111 days. The Commissioners encroach to the extent of 229 days and the appellants to the extent of 111 days." *Lord McKenzie:* "Now, the word 'balance' ('*the balance of the profits or gains*'), to my mind, is suggestive of a balance sheet; and I think that the reasonable construction to put upon that proviso is that the balance sheet in question was just such a balance sheet as a trading company will make up for the purposes of its own business; and that, when you find that it is to be a balance for a period from the first setting up of the business, the natural consequence of that and the natural *terminus ad quem* is the close of the first account. It no doubt follows from my opinion that if a trading company, like the trading company here, had made up their first balance sheet for a broken period to a date ending prior to the 5th April, that that would have been taken."

See under SCHEDULE D as regards the assessability of Interest, etc., under Case III.

BAD DEBTS.

See under DEBTS.

BANDSMEN AND MUSICIANS.

A bandsman is not entitled to charge against his earnings or profits any expenses incurred in travelling to his place of employment unless it is part of his business to travel to different places.

BANDSMEN AND MUSICIANS—(*contd.*)

(See under TRAVELLING EXPENSES.) Neither may any allowance be made for the cost of food or lodging incurred in consequence of his employment taking him from his usual residence. Deductions may be made for the upkeep of his instruments but not for the purchase of a new one in the first place. Where it can be shown that his business necessitates such special outlay as the supply of a uniform, the frequent purchase and washing of gloves, etc., the commissioners will, no doubt, take this into consideration in fixing the assessment. Allowance may be claimed for the normal cost of music which the bandsman is required to purchase.

BANK INTEREST.

Interest allowed by a bank is assessable on the recipient on the amount credited during the year preceding the year of assessment (*I.T.A.*, 1918, *Schedule D, Case III*), except where it is annual (see under ANNUAL INTEREST) and tax is deducted therefrom.

Annual interest paid to a bank may not, strictly speaking, be charged as an expense in a trader's accounts. (See under ANNUAL INTEREST as to the meaning of the term.) The borrower is entitled to deduct tax from all such interest paid by him, as explained under ANNUAL PAYMENT. It is well known that banks do not care about allowing the deduction, but they have no option if the borrower insists. (*I.T.A.*, 1918, *All Schedules, Rule* 23.) Nevertheless the payer may obtain an allowance from the Revenue instead of from the bank—see below.

Interest not being annual is treated differently. There is nothing in the Acts allowing tax to be deducted therefrom in the ordinary way, and the bankers receiving it will usually include it in their profits to be charged by direct assessment on them. The borrower must obtain an allowance in another way, if at all.

The *Income Tax Act*, 1918, *s.* 36 (1), provides that where interest is payable to a bank without deduction of income tax, and such interest is payable " out of profits and gains brought into charge to income tax," the person paying the same is to be repaid an amount equal to tax on the interest. The bank must carry on a *bonâ fide* banking business in this country. Repayment will be

BANK INTEREST—(*contd.*)

made at the rate at which tax has been borne on the income from which the interest was payable. Form 40A should be used for the repayment claim, but the Revenue will frequently set the amount repayable against any sum due from the claimant on other sources and so avoid the repayment. The phrase " payable out of profits and gains brought into charge " rules out any claim in respect of interest on a loan used for temporary trade purposes. Such interest is a trading expense, chargeable before the " profits " are arrived at, and not therefore paid *out of* such profits.

Interest on money borrowed in the course of trading (and not for use as capital) may be charged as an expense in the trader's accounts. In a case where a financial and investment company paid interest on fluctuating short loans, and were allowed to set it against their profits, Lord Atkinson said, " Money borrowed by such a company in the fluctuating temporary manner in which it has been borrowed by them, *the daily borrowing and lending of money being part of their trade and business*, is not to be treated . . . as capital. . . . The interest is, in truth, money paid for the use or hire of an instrument of their trade." (*Farmer* v. *Scottish North American Trust, Ltd.*, 1912.) The words italicized illustrate the principle involved. The subject is dealt with in more detail under INTEREST.

This note will conclude with examples showing the working of the rules referred to.

A buys a house but has not sufficient capital. He deposits deeds with his bankers, who advance him £1,000, repayable by any instalments the borrower pleases, at interest 1 per cent. above the bank rate. The interest is not " annual " and tax may not be deducted. On production of the usual banker's certificate and proof that he has paid tax to cover, the authorities will repay A an amount equal to tax on the interest.

B is a merchant in need of a temporary loan owing to certain debtors having delayed payment. He deposits deeds with his bankers and is allowed to overdraw his account. The interest paid may be charged in his accounts as a trade expense.

C is a cotton spinner who decides to extend his mills. He deposits deeds and is allowed to draw on the bank up to £5,000, at ½ per cent. above the bank rate. The loan extends over several years. The

BANK INTEREST—(*contd.*)

interest is not annual. Being a capital expense it may not be set against D's trade profits. The authorities will repay him an amount equal to tax on the interest, on production of the usual banker's certificate and proof that he has paid tax to cover.

D is in the same position as D, but mortgages his property to the bank for £5,000 at 5 per cent. The term of the loan is indefinite. E may deduct tax on the interest and may retain so much of it as refers to interest paid out of taxed profits. If he does not deduct tax, repayment will be made as to B.

E is an executor who, requiring money for estate duty purposes, deposits deeds with his bankers and borrows money at a fluctuating rate of interest. He pays the interest out of the taxed income of the estate. Repayment will be made.

BANKERS.

Bankers are assessable on the average profits of the past three years. Each year's accounts may be adjusted for income tax purposes as follows—

Balance of Profit and Loss Account		£190,000
Add—		
All sums added to Reserves from Profits	£25,000	
Profits on realization of investments added to Reserve	2,100	
Sums written off securities	10,000	
Amounts written off as depreciation of premises	3,000	
Income Tax, Ground Rent, etc. (and any other expense not allowable, as explained in Chap. II)	11,000	
		51,100
		241,100
Deduct—		
Annual Value of premises (nett Schedule A assessment) for which rent has not been charged in the accounts	23,000	
Loss on realization of investments charged against Reserve in the accounts	4,000	
Interest, Dividends, Rents, etc., from which tax has been deducted before receipt (*i.e.*, the amount actually included in the accounts)	123,000	
		150,000
Profit for income-tax purposes		£91,100

The effect of the adjustments relating to investments is to cancel all mere book-keeping entries made by the banker. Profits or

BANKERS—(*contd.*)

losses on realization are estimated in comparison with the purchase price.

In *Yokohama Specie Bank, Ltd.* v. *Williams* (1915) a Japanese bank, whose activities are limited to Japan by its constitution, arranged for the bank named in the case and with other banks to issue prospectuses (in London) and to receive subscriptions for certain loans, on commission. It was held that the Japanese bank had not traded in the United Kingdom.

See under FOREIGN INCOME as to a banker's duty in regard to foreign income sent to him for payment in the United Kingdom. The requirements referred to there may not be regarded as imposing any obligation to disclose any particulars relating to the affairs of a person from whom he acts. (*I.T.A.*, 1918, *Schedule C, Rules for persons other than Bank of England, Rule* 8.) (See also under BANK INTEREST.)

BANKERS' CHARGES.

Charges in respect of the custody of deeds and the supply of cheque books are allowable as deductions from profits. Charges made for the keeping of accounts are similarly allowable. Bank interest is dealt with above.

BANKRUPTCY.

If a person becomes bankrupt he may make application to the commissioners for his assessment to be amended to the amount of his profits during the year, provided he cease to carry on the business throughout the year of assessment. He may also make a claim, within three months of the year of assessment, for the repayment of any excess of tax paid. (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 3, and *Finance Act*, 1921, *s.* 26.) If his creditors take over and carry on the business, they must pay tax on the full profits without any deduction being made in respect of the payment of old debts. (*Armitage* v. *Moore*, 1900.) See also under CESSATION OF BUSINESS.

It has been held that an assessment may not be expunged in bankruptcy proceedings, even on evidence that no profit has been made. That question must be determined by appeal to the income tax commissioners. (*Calvert* v. *Walker*, 1899.)

BANKS' SUBSCRIPTIONS TO WAR LOANS.

Instead of suffering tax, without further question, by deduction from the interest on such war loans, the bank concerned may include the amount received in its general profits charged under Schedule D, Case I. (*I.T.A.*, 1918, *Schedule C, Rule* 3.)

BARRISTERS AT APPEALS.

See under ACCOUNTANTS AT APPEALS.

BETTING PROFITS.

If a person bets systematically so that he may be said to exercise the trade of betting (irrespective of any question as to whether he is dependent on the proceeds for his living) he may be assessed on his profits. In *Partridge* v. *Mallandaine* (1886) one judge expressed the opinion that betting is not illegal, and another judge expressed the contrary opinion ; but both agreed that the profits of systematic betting are assessable.

BILLS, TREASURY.

See under DISCOUNT.

BOARD AND LODGING.

The value of the board and lodging granted to an employee may not be included in an assessment on him nor regarded as income in connection with a claim to an allowance or deduction. The only qualification is that if the board and lodging have a pecuniary value (*e.g.* if board-wages are paid at any time or if the employee may sublet the apartments granted to him) that value *is* assessable. This matter was decided in the courts in connection with a residence provided for a bank official. (See under RENT-FREE RESIDENCE.)

Expenses incurred by a trader in providing board and lodging for his employees may be charged in his accounts, when such provision is part of the consideration for their services. The expense incurred by a trader or employer in providing food and lodging for himself are not allowable as deductions from his profits or earnings.

BOARDING HOUSES.

Boarding houses are assessed under the rules which govern assessments on trade profits. No allowance is made for new

BOARDING HOUSES—(*contd.*)

furniture, plate, china, etc., save for the expense of renewals and replacements (*i.e.* for any outlay which serves merely to restore the stock of the article in question to its former condition or value). Accounts should be adjusted, for income tax purposes, according to the rules and examples contained in Chapter II. A special note is needed, however, as to the personal expenses of the proprietor. These should be deleted from the accounts, including his (or his family's) food, washing, etc., and a portion of the rent, rates, service, lighting, and heating. The proportion of rent considered as applicable to the proprietor is usually held to be one-third unless, having regard to the circumstances of the case, the Commissioners direct otherwise. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3*c* and *Finance Act*, 1921, *s.* 31.) In the case of a boarding-house the facts would usually justify an application for special treatment. The rates are usually considered to follow the rent and, therefore, one-third or other agreed proportion of this charge also is disallowed. The proportion of the charges for lighting, heating, food, washing and service to be excluded from the expenses will depend wholly on the facts. There is no legal obligation on the point save that the arrangement come to shall be equitable.

A note respecting Inhabited House Duty may be useful. Where a dwelling-house is occupied by a person " for the main purpose " of letting furnished lodgings therein as a means of livelihood, the house may be placed on the lower or " shop " scale of house duty (*i.e.* 2d. in the £ where the annual value is £20 but does not exceed £40 ; 4d. in the £ where the annual value exceeds £40 but does not exceed £60 ; 6d. in the £ for houses where the annual value exceeds £60—see under ANNUAL VALUE as to this term). The necessary procedure is to register particulars with the clerk to the Commissioners before 1st October and to apply to the commissioners before 1st November. (*C. and I.R.A.*, 1890, *s.* 26 (1): *F.A.*, 1901, *s.* 13.) In practice it is as well to consult the inspector of taxes before 1st October in any year.

It should be noted that a boarding-house keeper is usually served with a form requiring a list of inmates to be completed. This does not refer to a casual visitor, but any inmates whose stay is of some

BOARDING HOUSES—(*contd.*)

duration should be included in the list. A space is provided for the insertion of the business address, etc., from which such inmate makes his return, and it is advisable to give him an opportunity of including this information.

BOILERS.

Boilers are included in the term "plant and machinery," and an allowance for depreciation may be claimed in respect thereof. There is no fixed basis on which the allowance should be calculated, and the general remarks to be found under DEPRECIATION will apply to this particular kind of plant. No deduction from profits may be made in respect of boilers except in the case described under OBSOLESCENCE.

See under ANNUAL VALUE as to the inclusion of boilers with the premises in determining the annual value under Schedule A.

BONDS.

For all purposes relating to income tax, interest on bonds may be regarded as a particular form of DIVIDEND, which see. Whenever dividend voucher tops are required in support of repayment claims, the claimant should, in the case of bearer bonds, obtain a certificate from his banker on the prescribed form. (See Chapter IX.)

See also under WAR SECURITIES.

BONUS SHARES.

See the case of *Inland Revenue* v. *Blott* under SUPER TAX.

BONUSES TO EMPLOYEES.

These are assessable to income tax, however personal and voluntary the gift may be thought to be. (See, however, the case of *Cowan* v. *Seymour* under SCHEDULE E for a special decision regarding a grant to a liquidator.)

The matter has been before the Courts several times in connection with the assessing of gifts made to clergymen (see under CLERGYMEN), and the principle established would extend to bonuses as follows: where the payments are made to the employees because they are employees they are assessable. They are in every way regarded as part of the salary earned.

BONUSES TO EMPLOYEES—(*contd.*)

The employer may, of course, include them among his expenses for purposes of his own assessment. If this is not done, the recipient will not be asked to pay tax thereon again, but the amount must nevertheless appear as taxed income on his claim to allowance or deduction.

BOOKS.

The cost of directories and similar books of reference used in a business may be set against the assessable profits. Similarly a lawyer may deduct sums paid for current reports, etc. A clergyman or minister of religion, however, may not be allowed the cost of purchasing books required for purposes of study. This rule would apply to lawyers and business men in connection with any books which may be said to equip them for their business rather than to be used in the carrying on of their business. Except as regards clergymen and ministers, it may be doubted whether this restriction is very much insisted on.

BRANCHES.

The profits of the various branches of a business should be aggregated and assessed in one sum at the centre of management. When a new branch is opened no particular adjustment is needed in connection with the "average system of assessment." Thus, in the first year the assessment will not be affected by the new branch and in the second year one-third of the first year's profits of that branch will be included in the assessment. When a branch is taken over as a going concern, however, the fusion should be treated as the amalgamation of two businesses. The average profit of the main concern and that of the branch that now is, should be added together. (*Bell* v. *National Provincial Bank of England*, 1903.)

BREWERIES.

The profits of breweries are assessable on the basis shown in Chapters II to IV. It happens, however, that (in consequence of the special legislation which concerns this trade and of the connection of breweries with "tied" and "managed" licensed houses) certain points of general interest have been decided on cases

BREWERIES—*(contd.)*

stated with reference to brewers' profits. Until 1910, the general principle adopted was that the trade of brewing was distinct from that of "controlling" public-houses. Expenses incurred in the latter connection have not been allowed as charges in the brewers' accounts. Thus, deductions were refused in respect of a premium paid for the lease of licensed premises re-let as a tied house (*Watney & Co.* v. *Musgrave*, 1880), the expense of repairs to a tied house in excess of the allowance under Schedule A (*Brickwood & Co.* v. *Reynolds*, 1898), and payments made to the owners of public-houses for the right to call for the surrender of their licences if the brewers' applications for new licences were successful (*Southwell* v. *Savill Bros., Ltd.*, 1901). The general ground on which these decisions have been given is that it is not part of the brewer's trade to secure tied houses. If he does so it is as an investment to safeguard the interests of his trade, *i.e.* the retailing of his beer. In *Smith* v. *Lion Brewery Co., Ltd.* (1910), however, the company were allowed to deduct from their profits as brewers that part of the Compensation Fund Charges on their tied houses which was ultimately borne by them. This case had different fortunes in the various courts, and as the opinions in the House of Lords were equally divided the judgment of the next highest Court in favour of the brewers was sustained. In *Usher's Wiltshire Brewery, Ltd.* v. *Bruce* (1914), the House of Lords applied this principle more generally, and permitted deductions in the brewer's accounts in respect of Compensation Fund levy, fire insurance premiums, the difference between rents received and rents paid (or the annual value), the cost of repairs, licence insurance premiums, rates and taxes, and legal and other costs. The present rule, therefore, is the same for tied houses as for houses under management. In the case of houses under management, the brewers undoubtedly carry on the business here through their managers, and all receipts and payments should pass through the brewer's accounts for income tax purposes. The same course is now required to be adopted as regards tied houses.

See also under LICENSED PREMISES for an examination of the principles on which the cases referred to above have been decided.

BRIDGES.

Bridges are assessed on the actual profits of the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 3.) The cost of repairs and renewals of parts should be allowed. The provisions of Schedule D apply so far as they are not inconsistent with those of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.)

BRITISH SUBJECTS RESIDENT ABROAD.

British subjects resident abroad may claim allowances, deductions and reliefs which would apply if they were resident in this country, with the following proviso—Such allowances may not be given so as to reduce the tax payable below an amount which bears the same proportion to the tax which would be payable if the total income *from all sources* were chargeable, as the actual amount chargeable to tax bears to that total income from all sources (Finance Act, 1920, *s.* 24 (1)). The effect of this provision is dealt with more fully, with examples, in Chapter V.

BROKERS' CHARGES.

The expense of investing money is regarded as a capital expense, and is not allowable as a deduction from dividends or profits. Similarly the cost of issuing shares and debentures may not be allowed. (*Texas Land and Mortgage Co.* v. *Holtham*, 1894.) In the case of a concern whose profits and losses on the realization of its investments are brought into the revenue accounts for income tax purposes (see under INVESTMENTS as to this), the brokers' charges are reckoned as part of the purchase price and as a deduction from the selling price.

BUILDERS.

The profits of a builder are assessable according to the general rules for trades detailed in Chapters II to IV. It may be observed, however, that the profits assessable should include sums earned (less specific bad debts), and not merely sums received. The proceeds of a contract should be brought into the accounts as soon as the work is finished and the profit is ascertainable. A little difficulty is sometimes experienced as regards contracts which are unfinished at the time the books are made up. The accounts will

BUILDERS—(*contd.*)

show certain outlays for wages, material, etc., but possibly no income in respect of the particular contract. The correct plan is to include as a receipt the value of the work completed to date (as would be done for the trader's own purposes by any accountants who prepared the accounts). An exact adjustment should be made in the subsequent accounts when the actual result is known.

Builders' plant may be divided into two classes. Engines, cranes, and similar machinery fall under the description "plant and machinery," on which an allowance for depreciation may be claimed. (See under DEPRECIATION.) Scaffolding, ropes, ladders, barrows and carts are not usually considered to be "plant and machinery" within the meaning of the Income Tax Acts, and no allowance is made for the depreciation thereof. But each year's accounts may contain the actual cost of renewals, replacements and repairs thereto, and in most cases this will meet the builder's wishes. This deduction is intended to cover what he spends in maintaining the utensils at their former value.

BUILDING SOCIETIES.

A building society is in precisely the same place, in law, as an individual acting as the society does in regard to issuing mortgages, receiving interest, etc. A person paying interest to a society on a fixed loan is entitled to deduct tax therefrom, but no tax may probably be deducted from periodical payments of interest and repayments of a loan when they are combined in one sum. (See under ANNUAL INTEREST as to this.) The society is assessable, however, on all interest received without deduction of tax. (*Leeds Permanent Benefit Building Society* v. *Mallandaine*, 1897.)

Special arrangements (A and B) may be made by any building society with the Revenue Authorities, whereby all liability is met with a great saving of trouble to both the society and its clients.

BURGLARY.

Premiums paid by a trader for the assurance of his trade premises and goods against loss by burglary are allowable as deductions from his profits. An indemnity received from an assurance company is

BURGLARY—(*contd.*)

not assessable to income tax, but no deduction may be made for any loss covered by the policy. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*k*).) A loss incurred by burglary, not being covered by assurance, will be allowed as a deduction from the assessment.

BUSINESS PREMISES.

The rent paid for business premises should be charged against the profits of the business. Where the trader owns the premises, he should charge the annual value thereof. He is sometimes allowed a choice between two systems. Either he will charge the amount of the *gross* Schedule A (property tax) assessment, in which case he will not charge the cost of repairs, or he will charge the amount of the *nett* Schedule A assessment (usually five-sixths of the gross amount), in which case he will also charge the actual cost of repairs. It will be understood that the commissioners will compel a trader to keep to the plan he has adopted in all future years, whatever the effect may be. The latter system is the correct one according to the strict letter of the law.

No allowance may be made for ground rent and interest, or for the cost of the premises or of the premium paid for a lease. (*Gillatt and Watts* v. *Colquhoun*, 1884.)

Where a trader is required by his lease to execute all or any repairs to his business premises, he may charge the cost thereof against his profits.

Where a trader resides on premises in which his business is carried on he may charge only the proportion of the rent or annual value which relates to the premises used for business purposes. This proportion is usually two-thirds, but may be increased if the Commissioners deem that the circumstances of the case so warrant. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*c*), as amended by Finance Act, 1921, *s.* 31.)

It should be remembered that all the adjustments referred to above should be made from each year's figures and not from the average of the three years' figures. This applies also to the deduction of the annual value from trade profits, when the trader owns his business premises and does not charge rent in the accounts. (*General Hydraulic Power Co., Ltd.* v. *Hancock*, 1913.)

BUSINESS PREMISES—(*contd.*)

In *Stevens* v. *Boustead & Co.* (1918), a company owned certain trade premises abroad. Had the premises been situated in the United Kingdom, the company would have paid tax on the annual value thereof under Schedule A and would have deducted such annual value from their profits under Schedule D. It was held that such deduction might be made, notwithstanding that the premises were situated abroad and were not chargeable under Schedule A. The decision is nullified, however, by the Income Tax Act, 1918, Cases I and II, Rule 5 (1), though it is operative as regards assessments for years prior to 1918-19.

See under DEPRECIATION OF BUILDINGS as regards the allowance made to owner-occupiers of mills, factories, and similar premises.

CALLS PAID IN ADVANCE.

The shareholder will not in any circumstances seek to charge such calls as a trade expense. The payment is obviously by way of investment. The only question of income tax which can arise between the company and the shareholder concerns the deduction of tax from interest paid on the advances. Tax may be deducted if the interest falls within the definition of "ANNUAL INTEREST" (which see). It may be stated here, however, that unless the call is advanced for a period of a year or more, the interest thereon is not annual and tax may not be deducted. (The only exception to this is when the interest is not paid out of profits, *e.g.* when it is paid before profits are earned. In this case, whether the interest is annual or not, tax should be deducted by the company and handed over to the Revenue.) (*I.T.A.*, 1918, *All Schedules, Rule* 21.)

The investor is required to make a return of all untaxed interest which accrues to him, and he should return the amount which he received during the year preceding the year of assessment.

There remains the question whether the company may charge in its accounts as an expense interest paid on advance calls. There is no specific enactment or case on the point, but there seems no doubt that in most cases, such interest is money spent in obtaining capital. If this is so the deduction may not be made. A certain company paid a bonus on repaying borrowed capital, as required by contract, and the Court refused to allow this expense to be

CALLS PAID IN ADVANCE—(*contd.*)

charged against the company's profits. (*Arizona Copper Co.* v. *Smiles*, 1891.) While a bonus is quite different from interest on prepaid calls, a judge's dictum on the former matter applies equally to the latter. "It (the bonus) appears to me, *as a sum paid in return for a loan of capital*, to be entirely heterogeneous to those outlays the deduction of which is permitted as being necessarily incidental to the earning of profits." If it should happen, however, that the company required such advances for use, not as capital but in the way of trade, a claim to charge the interest as an expense might probably be founded on the decision in *Farmer* v. *Scottish North American Trust, Ltd.* (1912), referred to under BANK INTEREST.

CANALS AND INLAND NAVIGATIONS.

These concerns are assessable on the profits of the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rule* 3.) Duty is chargeable on the full amount of the profits without any deduction for rent and similar payments, from which tax should be deducted by the canal authorities. The assessment should be made in one sum at the head office of the concern.

The rules of Schedule D apply so far as they are consistent with those of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rule* 8.)

CAPITAL.

It is a thoroughly established rule that no charge may be made against profits in respect of capital outlay, and it may be observed in the first place that neither the Acts nor the Courts have given the word "capital" any meaning other than that which it has in ordinary commercial use. "In a rough way," said the Lord President in *Vallambrosa Rubber Co., Ltd.* v. *Farmer* (1910), "I think it is not a bad criterion of what is capital expenditure as against what is income expenditure to say that capital expenditure is a thing that is going to be spent once and for all, and income expenditure is a thing that is going to recur every year." This broad distinction between capital matters and non-capital matters is obvious. As regards subjects that are on the border line, it will

CAPITAL—(*contd.*)

be realized that a contractor's steam-engine is capital, but his pick-axes are utensils. The same difference will be seen to exist between a shopkeeper's window fittings and his price-tickets. The normal cost of utensils is allowable (see under UTENSILS), but not that of capital subjects. Particular cases in which this rule is followed will be found under EXHAUSTION OF CAPITAL, IMPROVEMENTS, INVESTMENTS, PITSINKING, and REMOVALS.

An increase of capital escapes assessment by the same rule, except where persons or companies trade with their assets and the gain is held to be a profit of trading. This subject is dealt with under PROFIT and INVESTMENTS.

As regards borrowed capital, it has been laid down that no distinction is to be made between one trader who uses his own capital and another trader who has to borrow the money that he requires. (Mathew, J., in *Texas Land and Mortgage Co.* v. *Holtham*, 1894.) That is to say, if two businesses produce equal profit they are to be charged equally, notwithstanding that one is established on borrowed capital. The cost of borrowing is not admitted as a trade expense. Even if there were no specific prohibition of the deduction of certain interests from profits (see under INTEREST) it would often be disallowed under this rule. The expense of issuing debentures, the commission allowed to the underwriters of an issue of share capital, and similar expenses are inadmissible as deductions.

See under SHIPBUILDING COMPANY, TIMBER COMPANY, and LUMP SUM PAYMENT.

CARETAKER.

Wages paid to a caretaker and the value of premises occupied by him may be charged in a trader's accounts as a business expense. The value of the premises occupied by the caretaker should not be included in a claim to allowance or deduction made by such caretaker.

The presence of a caretaker and his family (not paying rent) in an empty house does not prevent the owner from claiming the usual allowance under Schedule A (property tax) if he is otherwise entitled thereto. (See under EMPTY PROPERTY.) This observation applies also to house duty.

CARS (MOTOR) OR CARRIAGES.

A car used by a *professional man* is not a subject in respect of which an allowance can be made for wear and tear. The cost of upkeep and repairs may be allowed; also the cost of a new car if it can be shown that it merely replaces a former one. In the latter case the nett expense only may be charged, *i.e.* the actual cost less the proceeds of the old one if sold. If the new car is worth more than its predecessor was when first used for the particular profession in question, a part only of the cost may be claimed. It should be borne in mind that if the car is used privately as well as professionally some part of the cost of upkeep, repairs, stable expenses, coachman's wages and replacement should be deducted from the full cost before an allowance is claimed.

As regards motors, etc., used by a *business concern* see under IMPLEMENTS and under MACHINERY; the rules regarding which apply also to motor cars. The taxpayer has an option of an allowance for renewals (as under *Implements*) or for depreciation (as under *Machinery*).

CARTS.

A trader's carts are not usually regarded as plant and machinery on which an allowance for depreciation may be claimed, but the cost of repairs, renewals and replacements should be charged in each year's accounts. The observations made under CARS regarding the purchase of a new vehicle apply also to the case of a trader's carts. In recent years, however, a depreciation allowance is often made as under MACHINERY.

CASUAL PROFITS.

The term "casual profits" is not found under Schedule D, but is taken to mean a profit which is irregular in its recurrence. A profit on selling a house, payment received for a solitary newspaper article, and miscellaneous fees earned at irregular intervals are of the class referred to. In some cases there is no liability to tax, but it is a mistake to emphasize the word *casual* in determining this. The question to be asked is whether the item in question is a *profit* within the meaning of the charging sections of the Income Tax Acts.

This matter is dealt with generally under PROFITS, but as regards receipts which might be termed casual, the following questions

CASUAL PROFITS—(*contd.*)

should be asked: First, are they the proceeds of a trade, profession or employment? Thus, if a man *makes a practice* of buying and selling houses, pictures, or even stamps, he is regarded as carrying on a trade therein. In this case he is undoubtedly assessable. But if the sale is an isolated transaction, that does not usually constitute the carrying on of a trade. Similarly literary gains are assessable, because the labour of preparing the article or book constitutes the carrying on of a trade or profession. It has not been determined whether an assessment on the product of an isolated article would be sustained in the Courts. (See under TRADING as regards the extensive meaning given to this word. The Act speaks of trades, manufactures, adventures, and concerns in the nature of trade.)

But there is a further test which a gain must pass before being held to escape assessment. The second question is this: Although not the profit of a trade, employment, or profession, is the receipt in question an *annual* profit? If so, it is liable to income tax. Thus, if A sells the copyright of a book which B has given him, the gain accruing to A is not the profit of a trade as far as he is concerned. If the price he receives is paid in annual instalments or royalties, however, such yearly income is assessable as an annual profit, *i.e.* as an annual profit on the selling of what was given to him.

A "casual profit" which escapes these tests must escape assessment.

CATTLE DEALERS.

A farmer is assessable under Schedule B on the amount of his rent (see under FARMERS), but there is a special provision to meet the case of a dealer who keeps more cattle than his lands will support. The Commissioners may require a return of his profits, and may in any year assess under Schedule D whatever profits were made in the previous year in excess of the Schedule B assessment. (*I.T.A.*, 1918, *Schedule D, Case III, Rules* 2 *and* 4.) See also under GRAZIERS.

CEMETERIES.

It has been held that a cemetery is assessable under Schedule A, No. III, that is on the actual profits of the preceding year. (*Edinburgh Southern Cemetery Co.* v. *Kinmont*, 1889.) The question

CEMETERIES—(*contd.*)

that at once arises in ascertaining these profits is what allowance, if any, may be claimed on account of the exhaustion of the ground which forms the cemetery company's stock-in-trade. As is shown under EXHAUSTION OF CAPITAL, however, no allowance whatever may be made on this account. In the case mentioned above such a deduction was refused and in *Paisley Cemetery Company* v. *Reith*, 1898, no allowance was made in respect of perpetual obligations of maintenance undertaken in return for the sums assessed. The only deductions made were for the cost of upkeep, repairs and management. This ruling holds as regards the exhaustion of the land ; but in *London Cemetery Co.* v. *Barnes* (1917), the Court sanctioned an allowance in respect of that part of trading receipts which referred to perpetual obligations undertaken by the company. See also under CREMATORIUM.

CESSATION OF BUSINESS.

This is dealt with in Chapter IV on EXCEPTIONS TO THE AVERAGE SYSTEM. As shown there the average system of assessment may be departed from for the year in which the business ceases, and an adjustment for the three preceding years may be made by means of a repayment claim.

CHANCERY.

Payments out of Chancery are regarded in exactly the same way as any other payments. If they represent profits or interest hitherto untaxed they are chargeable to income tax without reference to the legal machinery by which they are registered and controlled. The amount *accruing* to the person entitled thereto, during any year or period (*i.e.* the amount to which he is entitled for that period) is the amount which should be returned for purposes of assessment (if untaxed) or of a claim to allowance or deduction. The amount which chances to be *paid* within the year is not the material circumstance.

CHANGE OF PROPRIETORSHIP.

In the case of a trade, profession, etc., the income tax assessment is always made on the profits of a business, and it will stand unaffected by any change of proprietorship or change in partnership

CHANGE OF PROPRIETORSHIP—(*contd.*)

during the year. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 11.) Thus, if A takes over a business from B on 1st January, 1921, his income tax liability will be as follows—

1st January, 1921, to 5th April, 1921.—¼ of the assessment made on B for 1920/1921, this assessment being based on B's average profits for 1917, 1918, and 1919.

5th April, 1921, to 5th April, 1922 (Year 1921/22).—The average of the profits of the business for 1918, 1919, and 1920, and so on.

The various allowances for wife, children, life assurance premiums, etc., are personal to him, however, and will be based on his own income and circumstances (the business portion of such income being reckoned as shown above for these purposes also).

In certain circumstances A may have the assessments adjusted to the actual amount of profit which he makes. For this purpose he is required to prove that the profits of the business have fallen short of the sums assessed because of " some specific cause " since the change of proprietorship took place or by reason of that change. That is to say, (1) he may bring forward some reason for the profits falling, such as the opening of a rival shop or an " unusual, exceptional, and extraordinary depression of trade " (see under SPECIFIC CAUSE) since he took the business; or (2) he may show that the change of proprietorship entailed in itself a specific cause of the profits falling subsequently. In the latter case he would be allowed to base his claim on such facts as the following, viz., that his advent brought a scarcity of capital to the business as compared with its condition under his predecessor; or, that much of the business was personal to his predecessor (which is particularly likely in the cases of doctors, lawyers, etc.).

See also under PARTNERSHIPS; SPECIFIC CAUSE; SUCCESSION.

CHANNEL ISLANDS.

The Channel Islands are not within the scope of the Income Tax Acts and any residents therein are subject to the same exemptions and rules as if they resided in a foreign State. The only exception is that whereas, in general, persons resident abroad may not claim the normal allowances and deductions in respect of income

CHANNEL ISLANDS—(*contd.*)

assessed in the United Kingdom, residents in the Channel Islands are permitted to make claims on the basis described under NON-RESIDENTS.

Income arising in the Channel Islands and belonging to a person resident in the United Kingdom was not, until 1914, assessable unless it was brought to England. In this and all other circumstances it is treated as income arising in a foreign State. (See under FOREIGN INCOME.)

CHAPELS.

See under RELIGIOUS BODIES.

CHARGES ON INCOME.

A charge on a man's income is that portion of the income which he is legally obliged to hand on to someone else. Thus he may own a house which is assessed nett at (say) £40 a year, but if he pays ground rent £6, this £6 is a charge on his income. If he also pays mortgage interest on £200 at 5 per cent. the interest (£10) is a charge on his income. His nett income is £24.

It is only to be expected that the man referred to will suffer tax on £24, and it is arranged as follows. He pays tax on the full £40, but recoups himself in respect of tax on £16 by deducting it from his payments of ground rent and interest. Thus, for years in which the full rate is 5s. 0d. in the £—

	£	s.	d.
He pays on £40 at 5s. 0d.	10	0	0
He deducts from the Ground Rent £6 at 5s. 0d.	1 10	0	
" " " Interest £10 at 5s. 0d.	2 10	0	
Tax recovered ..		4	0	0
Leaving him to bear tax on £24 at 5s.		£6	0	0

(It is assumed that this part of the owner's income is liable to tax at the full rate. If it is not, he will be charged on £16 at 5s. and on £24 at the rate due on that part of his income.)

It should be noted that no deduction will be made from the assessment in respect of the charges; also that in any claim to allowance or deduction the full £40 (in the example given) should appear as income, leaving the charges to be inserted in the space provided therefor at the foot of the form. By this means, in reckoning the total income of the man whose case we have taken, the net

CHARGES ON INCOME—(*contd.*)

income from the property (£24) will be the effective amount returned in this respect.

Tax is deducted from charges at the highest rate in force while the payments accrue. A statement of the payments from which tax may be deducted will be found under ANNUAL PAYMENTS.

CHARITIES.

Exemption is allowed from income tax under Schedule A (property tax) in respect of the following properties: Public buildings and offices belonging to any college or hall in any university (not occupied by any member or by any person paying rent); public buildings, offices and premises belonging to any hospital, public school or almshouse (not occupied by any officer whose income amounts to £150 a year, or by any person paying rent); also any building, being the property of any literary or scientific institution, which is used solely for the purposes of such institution, and in which no payment is demanded or made for any instruction afforded there by lectures or otherwise (provided that the building is not occupied by any officer or by any person paying rent).

In *College of Preceptors* v. *Jenkins* (High Court, 1919) it was held that in the phrase " college or hall in any university " quoted above, the " college " must be in a university; that is to say, neither a college nor a hall is within the phrase unless it is in a university.

The exemption stated above is granted by the general commissioners on notice of appeal to the inspector of taxes.

Exemption may also be allowed in respect of the rents and profits of lands, tenements, hereditaments or heritages belonging to any hospital, public school, or almshouse, or vested in trustees for charitable purposes, so far as the same are applied to charitable purposes. Such exemption is granted on proof before the Special Commissioners of their due application to charitable purposes only. (*I.T.A.*, 1918, *Schedule A, No. VI.*) It did not extend to premises owned and occupied by the charity. (*Rex* v. *Special Commissioners; Ex parte Essex Hall* (1911)), until the *Finance Act*, 1921, *s.* 30, granted exemption—

(*a*) from *Income Tax under Schedule A* in respect of lands, tenements, hereditaments and heritages owned and occupied

CHARITIES—(*contd.*)

by a charity (where they are not already exempted under Schedule A, No. VI) ; and

(*b*) from *Income Tax under Schedule B* in respect of lands occupied by a charity ; provided that this exemption does not apply in the case of lands occupied for the purpose of husbandry unless the work in connection with the husbandry is mainly carried on by beneficiaries of the charity, and the profits, if any, arising therefrom are applied solely to the purposes of the charity ; and

(*c*) from *Income Tax under Schedule D* in respect of profits of a trade carried on by any charity, if the work in connection with the trade is mainly carried on by beneficiaries of the charity and the profits are applied solely to the purposes of the charity.

The new exemptions stated under (*a*) and (*b*) do not extend to rent or other annual payments to be made by a charity in respect of lands, etc., which are in the use and enjoyment of a person whose total annual income from all sources estimated in accordance with the provisions of the Income Tax Acts amounts to not less than one hundred and fifty pounds. As regards the exemptions stated under (*a*), (*b*) and (*c*) the expression " charity " means any body of persons or trust established for charitable purposes only.

Such stock as is assessed under Schedule C and belongs to any corporation, fraternity, society, or trust established for charitable purposes only, in so far as it is applied to charitable purposes only, and any yearly interest or other annual payment (assessed under Schedule D) may be exempted from income tax on due proof before the Special Commissioners. (*I.T.A.*, 1918, *s.* 37.) See page 437 as to what stock is assessed under Schedule C.

Rex v. *Commissioners of Inland Revenue* (*ex parte Ranks Trustees*), (*Court of Appeal*, 1922). Large sums of money invested in shares in a company and in War Stock were in 1917 settled on trustees for the benefit of such persons, institutions or purposes as the settlor should appoint, or failing such appointment, for such purposes connected with the Wesleyan Methodist Church as the trustees should determine. For the three years ended 5th April, 1920, the income of the Trust was settled by the trustees to charitable purposes in accordance with the written directions of the settlor. By a Deed Poll of the 4th March, 1921, the settlor exercised his

CHARITIES—(*contd.*)

power of appointment by appointing that the trustees should hold the trust funds and the income thereon for the benefit of such religious or other charitable purposes as he should appoint, and failing such appointment, for such charitable purposes connected with the Wesleyan Methodist Church as the trustees should determine. The trustees obtained a rule nisi for a mandamus directed to the Special Commissioners to show cause why they should not allow a claim to relief under the Income Tax Act, 1918, *s.* 40 on the ground that the trust fund was established for charitable purposes only. It was held that, although the income of the trust had in fact been exercised in favour of a charity there was in the settlement of 1917 no binding obligation upon anyone to apply the trust fund or the income thereof to charitable purposes. Section 40, therefore, did not apply.

In *Overseers of Garston* v. *Carlisle* (1915), the overseers claimed that interest allowed on their daily bank balances (made up of rates paid into the bank) was yearly interest applied to charitable purposes. It was held that such interest is assessable, and that *s.* 37 (*b*) does not apply if only for the fact that the interest is not "annual." Rowlatt, J.: "This sub-section seems to me quite clearly, upon the face of it, to have been designed to exempt from Income Tax the interest paid on investments held by corporations or trustees for charitable purposes. . . . These overseers keep an account at their bank, and it is understood between the parties that they always will keep an account at the bank. So far as they can see at present, they will be going on for a long time keeping that account at the bank. It is contemplated they will go on keeping the account at the bank, and it will always be in credit, and on that footing the bank allows them interest calculated upon the fluctuating daily balances to their credit. Now, is that interest yearly interest? Whatever may be the position of the overseers in relation to the question whether they are a corporation or trustees for charitable purposes, I should have thought that they certainly had no power to collect sums, to acquire a capital fund by levying rates, and then invest that fund at interest. . . . Although some of it is always there, each pound of the money is really treated, as in fact it legally is, as money at call. Now,

CHARITIES—(*contd.*)

I am at a loss to see how, in the light of the cases, I could have any doubt whatever but that this is not yearly interest."

In *College of Preceptors* v. *Jenkins* (High Court, 1919) it was held that an assessment should be made in respect of the interest on the bank deposit of the College of Preceptors, irrespective of whether the income of the college exceeded its expenditure or not.

Any hospital, charity school, or house provided for the reception or relief of poor persons may also be exempted from inhabited house duty.

It has been decided that the word " charity " must be regarded in its legal sense, and that it includes trusts for the relief of poverty, for the advancement of education or religion, and for other purposes beneficial to the community. (*Commissioners for Special Purposes* v. *Pemsel*, 1891.) It also includes a university founded to provide instruction in all the branches of a liberal education. (*Rex* v. *Special Commissioners; Ex parte University College of N. Wales*, 1909.)

In *Linen and Woollen Drapers Institution* v. *Commissioners of Inland Revenue* (1887), (a Corporation Duty case), a judge referred to " the well-known principle that there is a wide distinction between a mere gift by wealthy or benevolent persons to a charity or to individuals, for a purely charitable purpose, and the creation of an institution which is really in the nature of a mutual benefit society; and it cannot be doubted that if this institution were one purely of the latter kind, members alone being entitled to share in the benefits of it, and no fund being applicable except funds subscribed by the members, it would not then be a charitable institution, because, although a member, according to his poverty or misfortune, might share in the funds, it could not be said that he had subscribed for a ' charitable purpose,' where in truth he would have subscribed for the primary purpose of protecting himself or his family in periods of age, sickness, or real distress."

As regards the new exemption allowed in certain circumstances in respect of the profits of trade which accrue to a charitable concern, see page 163.

In Governors of the Rotunda Hospital, Dublin v. *Coman* (1920), the Hospital, which was established for charitable purposes, derived a substantial income from letting rooms for public entertainments,

CHARITIES—*(contd.)*

etc. The income so derived was applied to the general maintenance of the hospital, but it was decided that such profits were assessable either under Case I of Schedule D as the profits of a trade or business, or under Case VI of that schedule.

The *Finance Act*, 1922, *s.* 30 provides that where a charity is entitled to residuary estate of any testator and the residue or some part thereof is not paid to the charity until after the expiration of one year after the testator's death, there shall be treated as being income of the charity such portion of the income which accrued to the estate in respect of the period between the expiration of the said year and the date of payment as would have accrued to the charity if the residue (or part thereof) had been paid to the charity immediately after the expiration of the said year and the assets constituting the estate (excluding any part thereof specifically bequeathed or devised) on that date had been apportioned rateably as between the creditors, legatees (other than specific legatees) and persons entitled to the residue. The expression "charity" means any body of persons or trust established for charitable purposes only, and any matters arising under this enactment may be the subject of an appeal to the Special Commissioners and a case may be required for the High Court.

See also ALMSHOUSES, HOSPITALS, LITERARY INSTITUTIONS, RELIGIOUS BODIES, REPAYMENT (as to time limit for obtaining return of tax), SUBSCRIPTIONS.

CHILDREN.

A claimant who proves that he has (living at the commencement of the year of assessment) any child who is under 16 years at the beginning of the year, or any child who is 16 years of age or more but who receives full-time instruction at an educational establishment, is allowed a deduction of £36 in respect of one such child and a deduction of £27 in respect of every other such child.

The expression "child" includes a step-child, an illegitimate child whose parents have married since its birth, and (where no one else claims the allowance) any other child maintained by the claimant.

No deduction may be allowed where the child has income in his own right exceeding £40 a year. (Income from scholarships, bursaries, etc., is not to be regarded as income for this purpose.)

CHILDREN—(*contd.*)

In cases of doubt as to the educational instruction of a child of 16 or over, reference may be made by the Commissioners of Inland Revenue to the Board of Education (in England and Wales), the Scottish Education Department (in Scotland) and the Lord-Lieutenant (in Ireland).

The allowance may not serve to reduce an assessment below the amount of any annual charges payable out of the income concerned, *i.e.* it cannot discharge a liability to pay to the Crown tax that should have been deducted from interest, ground rent, annuities, etc.

Repayment of tax may be claimed within three years, as stated under REPAYMENT. As to apportionment of any allowance or allowances under this heading where a separate assessment of husband and wife is made, see under HUSBAND AND WIFE.

The allowances granted in past years have been as follows—

Year	*Income not exceeding*	*Relief from tax on*
1909/10 to 1913/14	£500	£10
1914/15	£500	£20
1915/16	£500	£25
1916/17 and 1917/18	£700	£25
1918/19	£800	£25
	£1000	First and second children, NIL. Others, £25 each.
1919/20	£800	First child, £40. Others, £25 each.
	£1000	First and second children, NIL. Third child, £40. Others, £25 each.
1920/21 and after	All incomes	First child, £36 Others, £27 each.

CHRISTMAS GIFTS.

See under GIFTS and BONUSES TO EMPLOYEES.

CHURCHES.

See under RELIGIOUS BODIES.

CLAIMS.

As to the adjustment of assessments at the end of the year see Chapter IV. As to other claims see ABATEMENT, ALLOWANCES FROM ASSESSMENT, CHILDREN, DEPENDENTS, DOMINION INCOME TAX RELIEF, EMPTY PROPERTY, EXEMPTION, FLOODS, HUSBAND AND WIFE, LIFE ASSURANCE, REPAIRS, and under REPAYMENT.

CLEANING EXPENSES.

Such expenses are obviously allowable as a deduction from a trader's profits. The lessor of flats, mansions, suites of offices, etc., is entitled to have the existence of such charges (if borne by him) taken into account when the annual value of the property is fixed for purposes of the Schedule A (property tax) and house duty assessment.

CLERGYMEN AND MINISTERS.

Clergymen, Wesleyan ministers, and any other ministers of religion holding office under an ecclesiastical body or under a society, whether corporate or non-corporate, are assessable under Schedule E; ministers who are appointed by their congregations (including nearly all ministers of the Baptist and Congregational denominations) are assessable under Schedule D. The only difference in practice was that the former were assessable on their actual remuneration during the year of assessment, and the latter on their average salary over the past three years, but all are "employments" and are now assessed as under EMPLOYEES.

All fees which accrue by reason of office are assessable, including Easter offerings, wedding and burial fees, etc. The final test case on the question was one in which Easter offerings were made to a clergyman by public collections and direct subscriptions. (*Blakiston* v. *Cooper*, 1906.) The Lord Chancellor stated in the House of Lords that "where a sum of money is given to an incumbent substantially in respect of his services as incumbent, it accrues to

CLERGYMEN AND MINISTERS—(*contd.*)

him by reason of his office." Lord Ashbourne, referring to the suggestion that the offerings were made as personal gifts to the vicar as marks of esteem and respect, commented as follows : " Such reasons no doubt played their part in obtaining and increasing the amount of the offerings, but I cannot doubt that they were given to the vicar as vicar." In a similar case (*Poynting* v. *Faulkner*, 1905) the trustees of a fund for the augmentation of ministers' stipends distributed the funds with special regard to the financial circumstances of the congregations and their ministers. It was held that the grants were assessable, being none the less in augmentation of the stipends of the ministers because the trustees had regard to these circumstances. Grants made by the Queen Victoria Sustentation Fund in augmentation of the income of a benefice are also assessable. (*Herbert* v. *McQuade*, 1902.)

A minister or clergyman may be allowed to set a part of the rent or annual value of his dwelling-house (not exceeding one-eighth) against his salary for purposes of assessment, or may claim repayment (within three years) in respect of allowances not claimed. The conditions attached to this allowance are, (*a*) that the clergyman or minister pays rent for the dwelling-house, *or* " is in the occupation of " but does not pay rent therefor ; *and* (*b*) that he uses any part of it mainly and substantially for the purposes of his duty or function. The phrase " in the occupation of " has a technical meaning—*see* decisions on page 415 as regards manses, etc., not deemed to be occupied by the minister ; also page 332 as regards a landlord being deemed to be the occupier of premises. (*I.T.A.*, 1918, *All Schedules, Rule* 2 (*b*).)

Where a clergyman or minister occupies a dwelling house rent free by virtue of his office, and the circumstances of such are that the annual value of the house is not required by law to be regarded as part of his income, he is entitled to act as follows—If he gives notice to the Inspector of Taxes, not later than the 30th September in the year concerned, requiring the annual value of the house, less any annual sum payable in respect of the house, to be treated as part of his income for all purposes regarding Income Tax, the annual value may be so treated. That is to say, a clergyman may waive the advantage of having a house not regarded as part of his

CLERGYMEN AND MINISTERS—(*contd.*)

income for purposes of ascertaining allowances, and deductions due and in waiving this advantage he may obviate the disadvantages of tax having to be paid on the annual value of the house at the full rate without regard to the lower rate and other allowances due to him.

Where, however, the occupation of the clergyman or minister commenced after the 30th June, he may make application at any time within three months after the date of the commencement of his occupation. (*F. A.* 1919, *s.* 22).

A deduction may also be made of any expenses incurred by him " wholly, exclusively and necessarily in the performance of his duty or function." (*I.T.A.*, 1918, *All Schedules, Rule* 2 (*a*).) It has been held such expenses may include expenses of visiting his congregation, of attending church meetings enjoined on him as part of his duty and outlay on Communion expenses, but not of books or of pulpit supply during holidays. (*Charlton* v. *Commissioners of Inland Revenue*, 1890, and *Jardine* v. *Gillespie*, 1906.) As regards the cost of books, the view is that books are not required in the performance of duty (but rather in personal equipment for that duty). The refusal to grant a deduction in respect of payment to a substitute is explained by a comment on a minister's claim to the allowance of a voluntary contribution towards an assistant minister's salary. " I do not see how these words, '*incurred by him in the performance of his duty or function*,' can be held to cover any payment made to another party for the performance of that duty." (*Lothian* v. *Macrae*, 1884.) It will be understood that the assistant minister and substitute would be assessable on what they receive in spite of these decisions.

Special allowances are made for the following expenses peculiar to clergymen. (1) Tenths, first-fruits, and duties and fees on presentation—tax is allowed on the amounts paid during the past year. (2) Procurations and synodals—tax is allowed on the average payments of the past seven years. The allowance may be claimed by deduction from the assessment or by repayment if claimed within three years. (*I.T.A.*, 1918, *Schedule A*, *No. V*, *Rules* 1 (*a*), 1 (*b*), 5.)

The earned income relief of one-tenth extends to payments

CLERGYMEN AND MINISTERS—(*contd.*)

made to a clergyman by the Ecclesiastical Commissioners and Queen Anne's Bounty, also to rents from glebe lands and to the annual value of the official vicarage. (*I.T.A.*, 1918, *s.* 14.)

See under RENT-FREE RESIDENCE as regards the inclusion of the annual value of a manse or other residence on a claim to allowance or deduction. Also see under RELIGIOUS BODIES and TITHE.

CLERKS.

See under EMPLOYEES.

As to allowances which may be claimed, see under ABATEMENT, ALLOWANCE FROM ASSESSMENT, EXEMPTION, WIFE and DEPENDENT RELATIVES, CHILDREN, and LIFE ASSURANCE.

CLOTHES.

An allowance may be made for the cost of clothes worn in a business when the garments in question constitute a specific uniform not reasonably able to be worn in private life or are subject to particular wear and tear owing to the nature of the calling. (See also under BANDSMAN.)

In *Ferguson* v. *Noble* (1919) it was held that clothing allowances made to detective officers should be regarded as part of the taxable emoluments of the officers. Ordinary members of the Glasgow Police Force were supplied with uniform free of charge, but detective officers were given allowances for the purchase of suitable private clothes. The detective officers could spend the money just as they pleased provided that they were clothes suitable for their duties as approved by their officers. The allowance was undoubtedly made to place the detective officers on an equality with the ordinary members of the Force who were supplied with uniform. (The Court suggested that it was quite open to the Local Commissioners to consider whether a deduction should not be made from the assessment in respect of the clothing expense to which the plain clothed officers were necessarily put, in the purchase of clothes suitable for their duties.)

CLUBS.

A club is assessable just as an individual or a company is, provided that it has an income of a taxable nature. It may not claim,

CLUBS—(*contd.*)
however, any exemption, allowance or deduction applicable to an individual (*Curtis* v. *Old Monkland Conservative Association*, 1906), and any tax deducted from its interest, etc., may only be reclaimed if the club is a charitable trust. (See under CHARITIES.) If the club is in the nature of a trust established for charitable purposes only, it is exempted from payment of tax on profits earned, provided that the profits are earned mainly by beneficiaries of the charity, and that they are applied solely to the purposes of the charity.

The first matter to be decided concerning the liability to income tax of a club is as to whether it is a trading concern or not. Circumstances which constitute trading are discussed under TRADE, but it may be stated here that trading requires two parties. If a club sells cigars and liquor to its own proprietors only, it is not assessable on any surplus realized, because in this case the buying and selling parties are identical. If it sells to non-proprietors also, however, the buying and selling parties are not identical and the club is assessable on its profits.

If a club is carried on in order to make a profit, it may set its expenses against the receipts. If its trading is a small and incidental part of its activities it may only set against the profits of such trading the portion of its expenses which were incurred in earning the profits. On the other hand, members' subscriptions may not be included in the assessable profits unless they really represent payment for that which the club trades in.

Any interest receivable should be returned for assessment and if the club is not a trading one there is no way of escaping tax thereon. If the club is a trading concern and makes a loss, it may claim repayment of tax charged on the interest. Tax should be deducted from annual interest payable as explained under INTEREST.

Working Men's Clubs which are registered as friendly societies are granted certain exemptions. (See under FRIENDLY SOCIETIES.)

Payments made to clubs may not be charged against the income of a person making them, but where such payments include contributions for death or superannuation benefit, allowance may be claimed as stated under LIFE ASSURANCE. If a trader subscribes towards a club in order to obtain a specific benefit for his

CLUBS—(*contd.*)

employees, he may charge his subscription as a trade expense in his accounts.

See also under GOLF CLUBS and under CHARITIES.

COLLECTION OF DUTY.

Income tax is payable on or before 1st January in each year, or partly on that date and partly on 1st July, or quarterly in the case of manual weekly wage-earners—see under INSTALMENTS. Duty charged by a late assessment is payable on the day after that on which it has been signed or allowed. (*I.T.A.*, 1918, *s.* 157.)

Payment by Post Office Money Order (issued free of commission if the payment does not exceed £40) has become general.

The collectors are required to demand the duties, when due, and the demand note should contain in the case of duty charged under Schedules A (property tax) and B (farmers, etc.) particulars of the properties assessed, and of the assessments. Where the particulars are not so given, they must appear on the receipt. Receipts are exempt from stamp duty. (*I.T.A.*, 1918, *s.* 158.)

Any duty unpaid is recoverable as a debt to the Crown. (*I.T.A.*, 1918, *s.* 169.) It may be recovered by process in the Courts and the defaulter may be committed to prison in continued default of payment. Non-payment of duty charged in respect of any house or building does not disqualify a person from voting in Parliamentary elections.

If payment is refused, the collector is required to distrain upon the property charged, or to distrain the person charged by his goods and chattels, on the authority of the warrant delivered to him on his appointment. Where lands charged under Schedule A are unoccupied and no distress can be found thereon at the times the duties are payable, the collector may, at any time after when distress is found thereon, enter upon the said lands, and seize and sell. Duty under Schedules A and B may be levied on the occupier for the time being, notwithstanding any change of occupation during the year of assessment, but any tenant may be held liable for the period which has elapsed when he leaves. No distraint

COLLECTION OF DUTY—(*contd.*)

is allowed in respect of arrears which ought to have been levied on and ultimately paid by any former occupier.

A collector may break open any premises in the day-time, under a warrant obtained for the purpose from the commissioners.

A levy or a warrant to break open must be executed by, or under the direction of, and in the presence of the collector. The goods distrained upon must be kept five days. If the duty is not then paid, the goods may be sold by auction ; any surplus received after paying the costs and charges is returnable to the owner. The Crown has, after the landlord's suit for rent, prior claim on the defaulter's goods for the amount of one year's arrears. A person refusing to pay within ten clear days after demand may be committed to prison by the general commissioners, if sufficient distress to levy is not found.

When a person removes from a parish leaving duties unpaid, or resides in another parish, the general commissioners for the parish where he has removed or is, may raise and levy the duties on him, or commit him to prison. (*I.T.A.*, 1918, *s.* 162 *to s.* 165.)

See also under DISTRAINT, INSTALMENT SYSTEM, and RECEIPT ; also under QUARTERLY ASSESSMENTS as regards collection in such cases.

COLLECTORS.

Collectors are appointed by the local commissioners of income tax except where, by their default in appointing or taking security when required, the appointment has reverted to the Board of Inland Revenue. A collector may be required to give security for the amount of the duties either by the local commissioners, or by the Board or by two inhabitants of the parish. In England and Wales any parish is liable to be re-assessed for any duties lost by default of the collector, except where such collector has given security to the Crown or has been appointed by the Board. (*I.T.A.*, 1918, *s.* 80 *to s.* 84.) A collector may not be compelled to serve as mayor or sheriff, or in any other parochial office or on a jury, or in the Militia. (*I.T.A.*, 1918, *s.* 231.)

A collector acts under the instructions of the local commissioners. His remuneration is fixed and paid by the Board of Inland Revenue, but it may not be less than was paid to him for 1890.

COLLEGE.

In *The College of Preceptors* v. *Jenkins* (1919) it was held that the College was neither a college in any of the Universities of Great Britain, nor itself a University within the meaning of No. VI of Schedule A. Rowlatt, J.—"Now Mr. Edwardes Jones referred to an expression by Lord Justice Buckley, as he was then, in *Rex* v. *Special Commissioners of Income Tax* (1911) where, in commenting upon this section, he said that he thought that 'college' means the collegiate authority, and as this place was governed by a collegiate authority that therefore it was within these words. But Lord Justice Buckley was referring to the assessable person there; he was not laying down what was a college and what was not, for any purpose material to the case, and I do not think that advances the argument at all. I think Mr. Edwardes Jones further suggested that this college confers diplomas and degrees and so on, and is to be treated as a university, and therefore in any view it was a college in a university which it itself was. I cannot for a moment think that this college can be treated as a university co-terminous with itself."

COLLEGIATE BODIES.

A member of a collegiate body who merely takes his share of the collegiate taxed income is not assessable therefor. If, notwithstanding that he is a member, he receives a salary out of such collegiate income, he is assessable on the amount received. (*Langston* v. *Glasson*, 1891.)

COLONIAL.

See under DOMINION.

COLONIAL RESIDENTS.

A resident in a British colony is subject to the same rules as any other person who does not reside in the United Kingdom, except in certain cases specified under NON-RESIDENTS and BRITISH SUBJECTS. See under RESIDENCE as to what constitutes this; and under DOMINION INCOME TAX RELIEF for relief granted where income is subjected both to British and Dominion tax.

COMBINES.

See *Moore* v. *Stewarts and Lloyds, Ltd.* (1906), under COMPANIES; also under TRADE ASSOCIATIONS.

COMMENCEMENT OF BUSINESS.

This is dealt with in Chapters III and IV on THE AVERAGE SYSTEMS AND EXCEPTIONS. As shown there the average system of assessment may be departed from during the early years of the existence of a business. (See under CHANGE OF PROPRIETORSHIP as regards the transfer of a business to a new owner.)

COMMERCIAL TRAVELLERS.

A commercial traveller is usually assessed under Schedule D. He should make a return on Form 11 or 11A, of which form specimens are given in Chapter VII. The only exception is that of a traveller who serves a limited liability company, in which case he comes within the rules of Schedule E. This schedule does not provide for assessment on average profits, but the advantage is usually conceded by the authorities. A traveller assessed under Schedule D was formerly assessed on the average system, but now see under EMPLOYEES.

Any expenses may be charged against gross receipts if they are wholly and exclusively laid out for the purposes of business. This includes fares and sub-commissions allowed, but not the expense of the traveller's meals and board. The local commissioners sometimes refuse to make any allowance for the cost of "treating," on the ground that the item is not part of the business transactions, but is a voluntary and personal "investment," made with the object of improving the traveller's chances of trading. Railway fares are usually allowed for the class of carriage which the traveller actually uses. If, however, the traveller's employers make an allowance to cover third-class fares, the commissioners will, in the absence of proof to the contrary, regard this as evidence that this is all that need be expended, and will refuse to allow the difference between this and the fares of a higher class by which the traveller may choose to travel at his own expense. The "proof to the contrary" is not usually hard to produce, however.

COMMISSION.

Commission is now assessable on the actual amount earned during the year preceding the year of assessment. When commission is received by an employee each year in addition to a stated salary, no distinction is drawn between the two forms of remuneration for income tax purposes, except that the recipient may choose whether he will be assessed on the current or previous years figures. Whichever basis is adopted must be kept to in the future years whether its effect may be to the advantage or otherwise of the person assessed.

Directors' commission which is due to them by the articles of association, or by the conditions under which they are appointed, may be charged as an expense in the company's income tax statement. Commission on profits which is voted to directors by the shareholders is sometimes regarded as an expense of management and sometimes as a distribution of certain of the profits. If it is charged as an expense in the company's income tax statement the secretary need not deduct tax therefrom and the directors should return it for direct assessment on themselves.

A trader may charge against his profits any commission paid by him wholly and exclusively in the carrying on of his business. Commission paid in respect of any capital matter (whether by a company issuing shares, etc., or a trader selling or purchasing a lease, etc.) may not be charged.

In *Humphrey* v. *Peare* (1913) an agent negotiated the sale of estates in respect of which he had previously acted as estate agent. He contended that a portion of the commission given to him in respect of the sales was compensation in respect of the loss of his estate agency and should not be assessed to taxation. It was held that the whole of the commission was assessable to income tax

See also under INSURANCE COMMISSION and UNDERWRITING PROFITS.

COMMISSIONERS OF INCOME TAX.

Income tax assessments are made by local commissioners of taxes, described as general commissioners and additional commissioners respectively. They are usually appointed by the land tax

COMMISSIONERS OF INCOME TAX—(*contd.*)

commissioners from among their own number, and are subject to a property qualification. The general commissioners appoint their own clerk whose salary and expenses are paid by the Commissioners of Inland Revenue (an altogether distinct body, referred to under the next heading). The local commissioners are unpaid, but are exempt from compulsory service in parish offices, etc.

COMMISSIONERS OF INLAND REVENUE.

These commissioners are described as the Board of Inland Revenue. The Board is composed of salaried civil servants, who are appointed by the Crown, and are authorized to do all things necessary for putting the Income Tax Acts into execution, subject to the control of the Treasury. Under the Board's authority there are appointed inspectors of taxes who represent the Crown and act as check officers generally. The head office is at Somerset House, London, W.C.2.

COMPANIES.

A company is chargeable as any person would be in its position (*I.T.A.*, 1918, *s.* 106), but it may not claim any exemption, allowance or deduction made applicable to individuals only. The duties of a secretary to a company, including that of making returns, are dealt with under SECRETARIES.

A company whose centre of management is in the United Kingdom is held to be resident here, in which case it is assessable on the whole of its profits, including those which arise abroad. The matter is dealt with fully under RESIDENCE.

In *Moore* v. *Stewarts and Lloyds, Ltd.* (1906), the company entered into an agreement by which it obtained a commanding interest in the management of another company, in return for an undertaking to make up the yearly profits of that company to a certain amount. The commissioners considered that payments made by Stewarts and Lloyds, Ltd., under the second clause were allowable as deductions from its profits, being made "for the purposes of its trade and that it might sell its goods at a better price." It was held by the Court that the question was mainly

COMPANIES—(*contd.*)

one of fact, and that the commissioners decided it correctly. See also under LOANS LOST, as regards arrangements between companies, and under TRADE ASSOCIATIONS.

See also DIVIDENDS; INSURANCE COMPANIES; SYNDICATES; LIQUIDATION; WINDING-UP.

COMPENSATION.

There can be no question of assessing a sum received as compensation unless it is paid in respect of profits not realized, or as a part of the profits of trading, or in respect of services dispensed with. A sum paid as compensation for damage caused to property or for personal injuries is not assessable. (It may be remarked, however, that all *annuities* are assessable without regard to their origins.)

Sums received in respect of profits not realized are only assessable to income tax when they fall within the descriptions of liable profits which follow. Thus, money received under an insurance policy may not be charged to tax, although a trader is prohibited from deducting from his profits any loss covered by such policy. In a certain case a colliery company was not allowed, for income tax purposes, to charge in its accounts a subscription paid in order to secure an indemnity in the event of certain stoppages of output. (*Rhymney Iron Co., Ltd.* v. *Fowler*, 1896.) The Court held that it was not "money laid out for purposes of trade. It is money laid out in order to provide for an unfortunate contingency whereby the trade cannot be worked." It follows that, if the stoppages of output were to occur and the indemnity to become payable, such indemnity would not be a profit of trade and therefore should escape taxation. As the question usually resolves itself into one as to whether the compensation is a trade profit, it is well to remember the converse case, *i.e.* that of a premium to secure such compensation. If the premium is an allowable trade expense, it usually follows that the indemnity is a trade profit, and conversely.

Compensation received as a part of the profits of trading is assessable to income tax. Thus, money paid in settlement of a trade transaction should be regarded as a profit. Another aspect of this case is dealt with in the preceding paragraph.

COMPENSATION—(*contd.*)

Sums received in respect of services dispensed with may be assessed either as a pension or as an annuity. (See under ANNUITIES as to liability under this head.) A pension is usually a periodical payment made in respect of services previously performed, and as such it is chargeable to income tax. A payment made as compensation for the cancellation of an agreement of service is a different matter. If it is not an annuity and is not, in fact, partly in respect of past services it is not assessable. See also under LUMP SUM PAYMENT.

Where compensation for loss of office (given in respect of the past service of the individual receiving it, or of the husband or parent of that individual), is liable to tax, the recipient may make the prescribed claim to have it charged as earned income. Payments made to the sleeping partner of a firm, or any other payments in respect of past or present proprietorship of, or partnership in a business, may not be charged as earned income. The title referred to is limited to pensions, etc., in respect of employments. (*I.T.A.*, 1918, *s.* 14.)

When a trader is compelled to pay compensation for damage, etc., caused by him in the ordinary course of his business, he may charge such compensation as an expense in his accounts. This matter is dealt with under ACCIDENTS.

COMPENSATION FUND CHARGE.

In *Smith* v. *Lion Brewery Co., Ltd.* (1910), the Master of the Rolls said : " The actual occupier of the licensed house is entitled under Schedule D to deduct from his gross profits such part of the compensation levy as he is not able to throw upon his landlord." (Also see under LICENSED PREMISES.)

CONSERVANCY BOARD.

In *Humber Conservancy Board* v. *Bater* (1914) certain statutory contributions were made to the Humber Conservancy Board by four railway companies and a canal company. The Board contended that these items did not represent taxable profits, but it was held that the contributions were assessable under Schedule A or alternatively under Schedule D.

CONSERVANCY BOARD—(*contd.*)

Scrutton, J.: "I am quite unable to see how a contribution from four named persons by statute, not being all the inhabitants, can be said to fall within the principle of a rate on all persons interested in the matter or inhabitants of the district or ratepayers. . . . . The Humber Conservancy Board have received certain sums; they incur certain expenses; they are left with a balance in hand. They admit that on that balance, so far as it is not composed of these five contributions of £4,300, they must pay Income Tax. They base their admission, as I understand, on Schedule A. I see nothing to take it out of the liability to pay Income Tax in the fact that there is an addition to the balance of this sum of £4,300. If it does not come within A—and in view of the fact pointed out to me that the Humber Conservancy own the bed of the river, I think it may come within A—it seems to me clearly to come within D; it cannot come within both, because it cannot come within D if it is within A."

CONSOLS.

Dividends on consols are assessable to income tax under Schedule C. When the yearly payment on any holding exceeds £5 (prior to 6th April, 1916, *read* amounts to £5 or more), the Bank of England deducts tax therefrom and pays it over to the Revenue. When the yearly payment is less than £5, or when the payment is made through the Post Office Savings Bank, tax is not deducted but the person receiving the dividend is required to return it for assessment unless he (or she) is exempt. (See under EXEMPTION.) The return should show the amount received during the previous financial year. (*I.T.A.*, 1918, *Schedule C, Rules Bank of England* 9.)

CONTANGO INTEREST.

Contango "interest" is, of course, not yearly interest (see under ANNUAL INTEREST), and the person paying it may not deduct tax therefrom. The person receiving it should return it for assessment, returning the amount received in the past financial year. A dealer in stocks and shares is entitled, however, to regard contango interest

CONTANGO INTEREST—(*contd.*)

as part of his trade profits, and to include it in the general return made by him (authorized by *Smiles* v. *Australasian Mortgage and Agency Co., Ltd.*, 1888, and *Norwich Union Fire Insurance Co.* v. *Magee*, 1896).

CONTINGENT INTEREST.

See *Walker* v. *Reith* (1906), under ABATEMENT.

CONTRA ACCOUNTS.

When one trader supplies another with goods and receives payment therefor in kind, he will or should keep a contra account showing the value of goods sent out, and the value of those received in return. If the goods received are used for personal (or household) consumption it should be noted that their value should be included as a trade profit. If no adjustment has been made in the trader's books, the value of the goods referred to should be added to the profits shown by those books.

CONTRACTORS.

See under BUILDERS.

CONTRIBUTIONS.

See under SUBSCRIPTIONS.

CONTROL.

See under FOREIGN and RESIDENCE.

CO-OPERATIVE SOCIETIES.

When the society is composed only of purchasers of its goods, and when all such purchasers are members of the society, there is no liability to income tax in respect of any surplus realized. The principle underlying this is that there must be two parties to a trading transaction. When the buyer and the seller are identical there is no trading and any so-called surplus is not the profit of the trade. A society will no doubt place itself in touch with the Co-operative Union as regards any difficult points which arise.

See also under INDUSTRIAL AND PROVIDENT SOCIETIES and CORPORATION PROFIT TAX.

CORPORATIONS.

Corporations are dealt with as companies (see under COMPANIES), but with regard to the income tax liability of municipal corporations and other local authorities rather different questions from those which concern ordinary trading companies arise.

A municipal corporation is assessable, (*a*) in respect of any interest paid or credited to it, from which tax has not already been deducted, (*b*) in respect of any interest paid out of its funds, and (*c*) in respect of any trading profits.

First, interest received is assessable simply because it is interest and apart from other considerations. (*I.T.A.*, 1918, *Schedule D*, 1, and *Schedule D, III*, 1; also see under INTEREST.) The officer acting as "treasurer, auditor or receiver" of the corporation is required to make the necessary returns. (*I.T.A.*, 1918, *s.* 106.) No expenses may be set against such interest, which is assessable in every case except where it has been taxed by deduction. (*Quarter Sessions of Glamorgan* v. *Wilson*, 1910.)

Secondly, when interest is secured on rates, the officer who manages the accounts is required to deduct tax from every payment of such interest. (*I.T.A.*, 1918, *All Schedules, Rule* 19.) The tax so deducted must be paid to the Revenue authorities irrespective of the use to which the loan was put. (See *Aberdeen Commissioners of Supply* v. *Russell*, 1890, in which case the money borrowed was used in the erection of certain municipal buildings charged to income tax under Schedule A.) The set-off allowed when the interest is paid out of taxed profits is dealt with in the closing paragraphs. The rate of deduction should be that in force when the interest is paid.

Thirdly, the trading profits of a municipal corporation are assessable, but the question often arises, What are trading profits? This matter is explained under PROFITS and under TRADE, but corporation cases may be dealt with briefly here. As regards municipal gasworks it has been held that a corporation is liable to be assessed on the excess of receipts over payments, irrespective of the application of such surplus under an Act of Parliament (*In re Glasgow Corporation Gas Commissioners*, 1876); also that a corporation must not deduct from the profit of supplying private consumers the expense of lighting the public lamps. (*Dillon* v. *Corporation*

CORPORATIONS—(*contd.*)

of Haverfordwest, 1891; see also under GASWORKS.) In considering municipal waterworks a new element is introduced. As a rule the corporation levies a water rate on all ratepayers, without giving any the option of refusing the supply. The sellers of the water (*i.e.*, the ratepayers as a corporation) and the purchasers (*i.e.*, the ratepayers as the subjects of a rate) are identical and, as it is an axiom that to constitute trading the buyers and sellers must be distinct bodies, it has been held that any surplus so realized is not assessable as a trade profit. (*In re Glasgow Corporation Water Commissioners*, 1875.) Incidental cases have decided that a surplus revenue derived from selling water *beyond* the area of compulsory supply, or by a meter *within* that area, or from the sale of water for trading purposes, is assessable as a trade profit irrespective of any legal requirement that the surplus shall be allocated to a sinking fund or elsewhere. (*Miller* v. *Glasgow Corporation Water Commissioners*, 1886; *Allan* v. *Hamilton Waterworks Commissioners*, 1887; *Dublin Corporation* v. *Mc Adam*, 1887; *Harris* v. *Corporation of Irvine*, 1900; *Mullingar Rural District Council* v. *Rowles*, 1912.) In the case of a District Council which purchased water and sold it to consumers within several parishes in its area, it has been held that the undertaking in each parish should be regarded as a separate concern, and that the Council is assessable for the profits in the profit-making parishes without any deduction for losses made in any other parishes. An important circumstance contributing to this decision was that any deficiency in a particular parish must be made good by a rate upon the ratepayers of that parish. (*Wakefield Rural District Council* v. *Hall*, 1912.)

As regards other concerns it has been decided that a corporation may not set against the profits of its market hall, fish markets, vaults and meat market, losses sustained in other matters such as the disposition of sewerage, etc. (*In re Corporation of Birmingham*, 1875.) The City of London Corporation have similarly been held liable to be assessed separately for the profits of each of such matters as market tolls, corn and fruit métages, brokers' rents, mayor's court fees, etc. (*Attorney-General* v. *Scott*, 1873.) It has also been ruled that municipal offices and corporation baths are assessable under Schedule A, according to their annual value, although no

CORPORATIONS—(*contd.*)

profit is made in connection therewith. "As regards the revenue derived from the markets and slaughter-houses, it appears to me that possibly the appellants may have some case for claiming a deduction from the profits in respect of a portion of the salaries of some of the general municipal officers of the town." (Judge in *Adam* v. *Maughan*, 1889.)

There remains the following question: If a corporation pays tax on its profits and property without any deduction for interest paid away, need it hand over to the Revenue the tax which it deducts from such interest? That is to say, if it pays tax on an income of £100,000 and deducts tax from £40,000 interest paid away, may it not retain the tax so deducted, in order to reduce its nett liability to income tax to £60,000, the difference between its gross taxable income and the interest it pays away? The answer to this question is in the affirmative, provided that the interest is in fact payable out of the profits in question. It is enacted that tax shall be handed over so far as it is deducted from interest not paid from profits charged with income tax. (*I.T.A.*, 1918, *All Schedules, Rule* 21.)

In *Attorney-General* v. *London County Council* (1900) it was held that tax deducted by tenants renting the Council's property, as well as tax paid on interest received and charged under Schedule D, should be set against the tax deducted from interest paid by the Council on stock charged against the whole of its lands and property; *i.e.*, if the Council paid interest £100,000 (less tax) and received rents £50,000 (less tax), and interest £10,000 (on which tax was paid direct), it need only hand on to the Revenue tax on £40,000 (£100,000 less £50,000 and £10,000), and might retain tax on the other £60,000. In *Attorney-General* v. *London County Council* (1907) the Council sought to take the previous decision a step further and to set against the tax deducted by it the tax paid on the property which it owned and occupied. This was refused as the property in question brought in no profits, and no interest could be regarded as being paid out of profits which did not exist. The Leeds Corporation raised a further point. May interest charged on one of its funds be regarded as being paid out of the aggregate of its funds? It has been decided in the House of Lords that

CORPORATIONS—(*contd.*)

interest may be regarded as payable only out of a fund which it may in fact legally be paid from. (*Sugden* v. *Leeds Corporation*, 1913.) As this is the last case on the subject some details may be given. In its double capacity as a municipal corporation and an urban sanitary authority, the Leeds Corporation had two funds, a City fund and a Consolidated (Sanitary) fund. The taxed income of the City fund exceeded by £63,109 the interest paid on loans on undertakings in connection therewith. The taxed income of the Consolidated fund was £78,519 less than the interest paid on loans on undertakings in connection therewith. All loans were charged in the first instance against the particular undertaking concerned and the fund with which such undertaking was connected. By a private Act of 1901, also, all loans were charged ultimately and in a general way on the whole revenue and assets of the Corporation, but the exact effect of the provision was disputed. The Corporation contended that the excess of interest on the Consolidated fund should be regarded as paid out of the excess of taxed income on the City fund, *i.e.*, that all but £15,410 of the £78,519 referred to should be regarded as paid out of the £63,109. If this view obtained, the Corporation would be entitled to retain all the tax deducted from the interest except tax on £15,410. It was held, however, that the Act of 1901 should not be regarded as authorizing the excess of interest on the Consolidation fund to be paid out of the excess of taxed income of the City fund. None of the £78,519 was paid from taxed sources, and the whole of the tax deducted therefrom must be handed over to the Crown.

CORPORATION PROFITS TAX.

Corporation Profits Tax was first imposed for 1920 (*F.A.*, 1920, *s.* 52.)

It is chargeable on—

(*a*) the profits of a British company carrying on any trade or business, or any undertaking of a similar character, including the holding of investments ;

(*b*) the profits of a foreign company carrying on in the United Kingdom any trade or business, or any undertaking of a similar character, so far as those profits arise in the United Kingdom.

CORPORATION PROFITS TAX—(*contd.*)

Exemption is accorded (until 31st Oct., 1925) to—

(i) a company which carries on wholly in the United Kingdom any gas, water, electricity, tramway, hydraulic power, dock, canal, or railway undertaking, and which by, or by virtue of, any Act is precluded either from charging any higher price, or from distributing any higher rate of dividend than that authorized by, or by virtue of, the Act ; and

(ii) any company being a building society.

Liability commences as from 1st January, 1920, and is computed on the closing of each account of the concern.

The rate at which tax is chargeable is *whichever is less* of (*a*) or (*b*) as follows, viz.—

(*a*) Five per cent. (5%) of the profits (after a tax free allowance of £500 per annum) before deducting dividends or royalties or interest on permanent loans or interest to persons controlling the company or remuneration to persons controlling the company in excess of £1,000 per annum each.

(*b*) Ten per cent. (10%) of the profit computed as under (*a*) but after the deduction of any interest or dividends actually paid out of those profits at a fixed rate on any debentures, debenture stock or preference shares (so far as the dividend paid thereon is at a fixed rate) or permanent loan issued before 4th August, 1920, or any debentures, debenture stock or permanent loan issued after 4th August, 1920, for the purpose of replacing an equal amount of any debentures, debenture stock or permanent loan issued before that date.

Co-operative Societies. There are special rules and regulations for the assessment of Co-operative Societies.

COUNTERS.

A trader's shop counter is part of his capital. No charge may be made for income tax purposes in respect of the cost of its supply, alteration, or improvement. The cost of repairs may be charged, and also the cost of a new counter which replaces one which is worn out, providing that it does merely replace it and is not worth more than its predecessor was when that was installed. In the latter case, a proportion of the new expense may be charged. See also under FIXTURES as regards depreciation.

COUNTY COUNCIL.

See under CORPORATIONS.

COUPONS.

When it is desired to claim repayment of tax deducted from interest paid on coupons, a banker's or dealer's certificate should be obtained on the prescribed form. (See Chapter IX.) See also under DIVIDENDS.

CREDITORS.

Payments made to creditors may not be charged against profits, unless they are in fact part of the working expenses of the business in question during the period for which the account is made up. The repayment of debts is not material in the consideration of what assessment to income tax should be made. In *Armitage* v. *Moore* (1900) the trustee of a business which was assigned to certain creditors paid the profits to the creditors. It was held that the application of the profits does not concern the income tax authorities. " A man who is making profit this year should not be heard to say, ' I am not making a profit this year because when I have got the money I am going to pay off some debts made many years ago.' "

CREMATORIUM.

The normal business of a Crematorium Company is to conduct funerals and to provide resting-places for the urns. In return for the fee the company performs the former duty, but it also accepts a perpetual obligation as regards the latter. It may, therefore, be contended that some allowance should be made from the company's annual surplus revenue or profit, in respect of the future expenditure of the company in fulfilling its perpetual obligations.

Until 1917, however, legal decisions permitted no such allowance. In *Paisley Cemetery Co.* v. *Reith* (1898), the company sought to make a similar deduction in respect of its future obligations in the maintenance of lairs, and did, in fact, invest a portion of its receipts to ensure the fulfilment of these perpetual obligations. The Court examined the question whether income tax is chargeable " where money is received and a perpetual obligation undertaken," and it was decided that no deduction may be made as claimed. This determination followed on other cases

CREMATORIUM—(*contd.*)

relating to the assessment of cemeteries in which allowances had been refused in respect of the gradual exhaustion of the companies' capitals as the grounds were filled up. (See under CEMETERIES and EXHAUSTION OF CAPITAL.)

More recently, however, the decision in *London Cemetery Co.* v. *Barnes* (1917) requires allowance to be made also in respect of such part of a lump sum payment as is in regard to a company's obligation to render services in future years.

A crematorium company may, therefore, charge against its receipts the cost of management, the expenses of maintenance and of funerals, and the rent (or annual value) of the crematorium. It may also make a deduction as regards future duties in respect of the niches or other places where the urns rest.

CROWN RIGHTS.

The Crown is exempt from payment of income tax but must allow the deduction of tax from rents, etc., payable to it as must a subject. (*I.T.A.*, 1918, *Schedule A*, *No. VIII*, *Rules* 1 *and* 4.)

As regards priority in the collection of income tax when other debts are also due, it is enacted that no goods or chattels belonging to a person whose tax is in arrear shall be distrained on in respect of any other debt, except by the landlord on his suit of rent. Any other person distraining in these circumstances is liable to pay over the amount of one year's tax which is due.

88 L.J. Ch. 128; (1919) 1 Ch. 241; 120 L.T. 473; (1918-19) B & C.R. 165; 635 J. 302. In *Laycock* v. *Income Tax Commissioners* (High Court, 1919) it was held that the Bankruptcy Act, 1914, *s.* 33 (giving preference to certain debts) does not apply to the insolvent estates of deceased persons administered out of Court, so as to deprive Crown debts of the priority given them by common law.

See also under DISTRAINT; LIQUIDATION; WINDING-UP.

CROWN SERVANTS.

See under NON-RESIDENTS.

CUM-DIVIDEND AND EX-DIVIDEND.

All registers of shareholders are closed at stated dates, and the dividends which are about to be distributed will be paid to the

CUM-DIVIDEND AND EX-DIVIDEND—(*contd.*)

persons whose names are on the registers at the date in question, irrespective of any transfers of shares between that date and the date on which the dividends are to be paid. Thus, A may hold stock or shares on which a dividend will be paid on 30th August. On 2nd August the register may be closed, and although A sells his holding to B on 3rd August, the dividend will be made payable to A. Now if the value of the stock is £100 and a half-yearly dividend of £2 is expected, A might sell the stock " cum-dividend " (in which case he will receive £102 from B and will hand the dividend to B when it is paid) ; alternatively, A might sell the stock " ex-dividend " (in which case A will receive £100 and will himself retain the dividend of £2).

Now the dividend in question is the income of the person who owned the stock during the period in which it was accruing. It is clear that if that period ended before 3rd August, the £2 was *income* to A, and that if it is handed to B under " cum-dividend " terms, it is simply the repayment of the additional £2 he paid for the stock ; the £2 is not *income* to B and should not be included on his statement of total income or repayment claim. If, however, the period during which the dividend accrued ended after 3rd August (the date of transfer), it is clear that part of the dividend is *income* to B ; in practice it is the custom to regard the whole dividend as income to the buyer in such a case.

In practice the rule is therefore as follows :—A dividend should be regarded as the income of the person who owned the stock or share on the day to which the dividend accrued.

CURATES.

See under CLERGYMEN.

DAMAGES.

" Damages " may be charged against profits if they are incurred in the ordinary course of business. See under ACCIDENTS as to when the loss may be regarded as having been so incurred. Following on the distinction drawn under that heading, it may be remarked here that damage for libel given against a newspaper would be allowable, but damages for libel given against an ordinary trader

DAMAGES—(*contd.*)

would not usually be allowable. It is the business of the former to publish comments and opinions but not of the latter. This illustration will explain the general principle involved, but of course, if any trader committed a libel in the course of his business the damages incurred should be charged as a trade expense. The opinion has been expressed that damages awarded to an employee for wrongful dismissal would be allowable as a deduction. (*Royal Insurance Co.* v. *Watson*, 1897.)

As regards the liability to tax of damages received, it may be taken that this liability goes fairly well with the title to charge damages incurred in a similar respect. If the circumstances are such that the latter may be claimed, the former must be admitted. Thus, as a newspaper may deduct damages for libel given against it, it should include in its profits any damages for libel received by it. Damages for personal injuries, however, are never assessable unless they are paid in the form of an annuity. (All annuities are assessable.) See also under COMPENSATION.

DATE OF ACCOUNTS.

See under ACCOUNTS.

DEATH.

On the death of a person who exercises a profession or carries on a trade, employment or vocation, the assessment may be adjusted to the actual profits of the period which has elapsed since the commencement of the financial year. (See the illustration under SPECIFIC CAUSE on page 458.) If, however, some other person has succeeded to the profession or business, etc., the adjustment may only be allowed if it is proved that the profits have fallen short from some specific cause since or by reason of the succession. (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 3.) (See under CHANGE OF PROPRIETORSHIP for an explanation of the provision last mentioned.) Where no adjustment is made, the executors are responsible for tax up to the date of death, and the successor for tax since that date. An executor may be proceeded against as any other person making default of payment. (*I.T.A.*, 1918, *s.* 161.)

In addition to the liability of executors as defined above, it should

DEATH—(*contd.*)

be noted that, where any person has died without making a return of all his profits or gains with a view to the assessment of such profits as accrued before his death, an assessment may be made within the financial year in which the death occurred or within the next three years. (*I.T.A.*, 1918, *All Schedules, Rule* 18.)

The liability of executors is, of course, restricted to the amount of the deceased person's estate.

In the case *Rex* v. *Special Commissioners of Income Tax* (House of Lords, 1921), the question arose as to the date from which a charity should be regarded as in possession of income on property bequeathed to it by will. In this case Dr. Barnardo's Homes were the residuary legatees of an estate which remained in the hands of the executors for two years after the death of the testator. The delay was due to a probate action, and it was contended that the assent to the handing of securities to the charity as its share of the estate related back to the date of death. It was held that the income was not the property of the charity until the shares were in fact handed over by the executors, the doctrine of relation back not applying in the case of a residuary bequest.

This particular decision has in part been overruled legislatively (see under CHARITIES), but it is still operative as regards income other than that referred to under that heading.

DEBENTURES.

A company paying interest on debentures is authorized to deduct tax therefrom. When the interest is paid out of profits and gains brought into charge to income tax, tax should be deducted at the rate (or proportion of several rates) in force while the interest accrued. (*I.T.A.*, 1918, *All Schedules, Rule* 19.) Tax should be deducted from any interest not paid out of profits and gains brought into charge at the rate in force at the date of payment. (*I.T.A.*, 1918, *All Schedules, Rule* 21.) In the former case, the amount deducted is reckoned to be handed over to the Revenue by inclusion in the assessment on the company. In the latter case such tax becomes a debt due to the Crown. Considerable penalties are incurred by any refusal to permit the deduction of tax. (*I.T.A.*, 1918, *All Schedules, Rule* 23 (1).)

DEBENTURES—(*contd.*)

In a few cases companies elect to pay debenture interest in full without deducting tax therefrom. It should be observed, however, that no contract or agreement to do this is legally binding (*I.T.A.*, 1918, *All Schedules, Rule* 23 (2)); in fact, the Crown would be within its rights in demanding that any person receiving debenture interest in full should pay tax thereon, irrespective of such interest having been included in the company's assessment. (*Leeds Permanent Benefit Building Society* v. *Mallandaine*, 1897.) Of course a company can agree to pay "such rate of interest as will yield, after the deduction of tax, interest at the rate of (say) 6 per cent."

Interest on foreign debentures is regarded as income arising from foreign securities. Tax is often deducted by the agent in the United Kingdom who makes payment of such interest. When no tax is deducted the person receiving it should return it for taxation. The interest is assessable on the amount received or to be received within the year of assessment. No deduction is allowed from this amount, but any foreign charges, duties, taxes, etc., must, of course, be deducted from the amount due in order to arrive at the nett amount accrued.

The expense of issuing debentures may not be charged in a company's accounts (*Texas Land and Mortgage Co.* v. *Holtham*, 1894), neither may the amount of interest paid be deducted from the assessable profits. In the case of an English company which paid interest to debenture-holders resident in Egypt, in which country the company's property was situated, it was held to be immaterial whether the company could or could not deduct tax from the interest. No deduction in respect thereof was allowed from the company's profits. (*Alexandria Water Co.* v. *Musgrave*, 1883.)

See also under DEDUCTION OF TAX and FOREIGN TAXATION; also under CORPORATIONS PROFITS TAX.

DEBTS.

The income tax acts have regard only to profits earned and lost, and the existence of debts is immaterial so long as the transactions from which they spring are duly brought to account. Thus,

DEBTS—(*contd.*)

even in a business whose assessable profits are calculated by reference to actual receipts and payments as shown by the cash account, it is necessary to make an adjustment by comparing the respective value of debts at the beginning and at the end of the period over which the account spreads. This is particularly necessary in considering the accounts of the early years of a business. In the case of a doctor's practice, for example, the cash receipts during the commencing years would be abnormally small because they could include few debts which became due in past years, and are now paid. (See example on page 15.) In the case of solicitors and doctors, etc., the rule is not always insisted upon after the early years, *i.e.*, when the value of debts is fairly stationary.

In some cases, however, it is necessary to take particular notice of profits duly brought to account but subsequently ascertained to be lost, *e.g.* in the case of debts afterwards written off as bad. An allowance is made of any debts proved to be bad to the satisfaction of the commissioners. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*i*).) The ordinary rule of accountancy should be observed in charging such losses, *i.e.* they should be written off as bad in the year when hope of recovery is abandoned.

As regards doubtful debts, it is enacted that the value of all doubtful debts due or owing may be estimated and that in the case of the bankruptcy of the debtor the amount of dividend reasonably expected shall be deemed to be the value thereof. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*i*).) In practice, the local commissioners only make allowance for doubtful debts when the trader has specific cases of probable loss in mind. No deduction may be made for sums written off as doubtful on a percentage basis or for sums added to a bad debts reserve. Conversely, any ascertained bad debts which the trader charges to his reserve may be deducted from the profits for income tax purposes. Debts written off but subsequently recovered should be added to the profits for income tax purposes, even though in his books the trader has taken them to the reserve account.

In the example given on the next page, the sum charged against the trader's profits in respect of bad debts is £737. For income tax purposes this should be added back to the profits, and the actual

DEBTS—(*contd.*)

sum written off (£953) should be deducted in its place. The credit item of £89 should also be added to the profits.

Dr BAD DEBTS RESERVE ACCOUNT. *Cr.*

		£			£
Dec. 31	To debts written off as bad during the year	953	Jan. 1	By balance at beginning of the year	2,237
	„ Balance carried forward	2,110	June 7	„ Debt written off two years back but now recovered	89
				„ Profit and Loss Account ..	737
		£3,063			£3,063

See also under CREDITORS.

DEBTS, COLLECTION OF.

Sums expended by a trader in the collection of trade debts due to him may be charged as a business expense.

DECEASED PERSONS.

See under DEATH.

DEDUCTION OF TAX.

A very large proportion of income tax is charged by way of deduction. That is to say, the person to whom the income belongs does not pay tax direct, but receives the amount of income due to him less a deduction equal to the amount of tax thereon. The person who makes the deduction pays to the Revenue the tax so retained by him. This system is based on the principle that tax is most easily collected where the income arises. Thus, ground rent arises from the land on which it is payable, and mortgage interest arises from the property erected on that land. A tenant who pays nominally a rent of £40 per annum may, in effect, be paying £20 to his landlord, £10 to the ground landlord, and £10 to a man who has a £200 share in the house because he has lent the landlord that sum. The Income Tax Acts secure to the Revenue tax on the whole £40 in one sum by requiring the tenant to pay it. The tenant deducts the tax from his rent, and the landlord bears tax on £20 of it, and in turn recoups himself in respect of the tax on the remaining £20 by making deductions from the ground rent and interest. Where a person should have deducted tax and did not, any remedy

DEDUCTION OF TAX—(*contd.*)

lies between himself and the person from whom tax should have been deducted. (See cases under OMISSION TO DEDUCT TAX.) The Crown is not concerned in any such failure. (*Lord-Advocate* v. *Magistrates of Edinburgh*, 1905.)

Tax may be deducted from all obligatory annual payments which, generally speaking, are of the nature of income to the recipients. (See also under AGENTS ; ANNUAL INTEREST ; BUILDING SOCIETIES ; DIVIDENDS ; FOREIGN INCOME ; INTEREST ; PATENT ROYALTIES ; RENT ; for particular instances. Also see under ANNUAL PAYMENTS for a description of what the term includes. It is shown there that an annual payment, in this sense, is not merely a payment made once a year.)

In most cases the annual payment is paid out of profits charged to income tax. Tax is charged on the full amount of the profits, without any deduction in respect of the annual payment, and the tax deducted is, therefore, handed over to the Revenue by way of assessment on profits. Thus, if a trader pays interest £40 per annum and his average profits, after paying this interest, amount to £210, he will pay tax on £250 and recoup himself to the extent of tax on £40. He may claim the statutory allowances and deductions, but not so to reduce the amount payable by him to less than tax on £40. As he should deduct tax at the full rate a corresponding part of his assessment will be at the full rate. If he has dividends or other income already charged at the full rate the interest may be regarded as being paid out of that, and only the amount not so covered will be charged at the full rate in his assessment.

Considerable penalties are incurred by any person refusing to allow the deduction of tax (*I.T.A.*, 1918, *All Schedules*, *Rule* 23 (1)), and contracts and agreements not to deduct tax are declared not to be legally binding (*All Schedules*, *Rule* 23 (2)). It has been held that this provision does not prevent the gift of an annuity or other such payment " free of tax," where there is other income from which tax on such payment can be borne. The Duke of Leeds left certain property to his widow for life, and required his trustees to pay tax on such property. This direction was held not to be illegal. (*Loval* v. *Leeds*, 1862.) Similarly an agreement

DEDUCTION OF TAX—(*contd.*)

that rent should be increased to cover any tax imposed on the premises concerned, was declared to be legal. (*Beadel* v. *Pitt*, 1865.) When a landlord accepted rent from his tenant in full, promising to refund the tax not deducted, his executors were required to fulfil the promise. (*Lamb* v. *Brewster*, 1879.) On the other hand, a will directing the payment of certain "clear yearly sums, free from all deductions," was held *not* to require payment "free of income tax." (*Gleadow* v. *Leatham*, 1883.) Similarly, a contract for a "free yearly allowance" (*Dalyrmple* v. *Dalrymple*, 1902) and an undertaking to pay an allowance "clear of all deductions" (*Shrewsbury* v. *Shrewsbury*, 1906), have been held not to mean "free of income tax." To hold good in this respect, the deed in question must distinctly provide for payment "free of income tax."

In the case *In re Loveless; Farrer* v. *Lovcless* (1917), there was payable, under a will, "a clear annuity of £2,000" during the widowhood of the recipient, and "a clear reduced annuity of £1,000" during the remainder of her life. It was held that income tax is deductible therefrom. In this case the trustees were authorized to set aside from the share of the estate burdened with the annuity, a sum sufficient to meet the annuity, in which case the share was to be freed from liability in connection with the annuity. The Judge agreed with counsel that if income tax were to be provided for, it would be impossible to determine what sum should be set aside.

In the case *In re Saillard; Pratt* v. *Gamble* (1917), £200 per annum "free of all duties" became payable under a will to a solicitor-trustee for his trouble as acting as trustee. It was held that the income tax should be deducted therefrom. Swinfen Eady, L.J., summarized the present law: "It was no doubt at one time thought that a testator could not by will give interests that would be free of income tax, and it was thought that a disposition of that sort would be contrary to the provisions of the Income Tax Acts. That notion has now been held to be entirely erroneous, and it is simply a matter of construction of the will whether the testator has given the annuity together with a sum equal to the income tax to the annuitant so that the annuitant may receive the annuity

DEDUCTION OF TAX—(*contd.*)

free of income tax, or has simply given an annuity and left the annuitant to bear his own income tax. . . . It has been determined more than once that if a testator uses language in his will which shows that when he uses the word 'deduction' he intends to include income tax as a deduction, then the gift will be free of income tax."

In the Irish case *In re Young's Estate* (1917) a bank had advanced money on mortgage, the sums advanced being repayable and taken with interest " at the bank's current rate calculated according to the custom of bankers." On the death of the mortgagor his executors sought to deduct tax from interest payable for a broken period (five months) from the date of the last half-yearly payment. The Judge expressed no opinion of his own, but, following previous cases, held that tax should not be deducted from the interest in question. The previous cases referred to were (*a*) *In re Persse's Estate* (Land Judge's Court, 1888), in which case it was held that tax could not be deducted from interest on an ordinary bank overdraft secured by the verbal deposit of title deeds ; and (*b*) *Crawford* v. *Kelly* (Irish Court, 1908), in which case a similar decision was given.

In *Shaw* v. *Smith & Shaw* (Court of Appeal, 1918), it was held that income tax should be deducted from an annuity of £300 paid by the administratrix under a will to a party who had disputed the will. The annuity was paid by way of compromise under rule of Court.

In *Smith's Trustees* v. *Gaydon* (Court of Sessions (Scotland) 1919) a testator had directed his trustees to pay an annual sum of £750 to his niece out of the " net annual proceeds " of one-half of the residue of his estate. It was held that the beneficiary was entitled to receive £750 annually without the deduction of tax.

In *Oswald* v. *Kirkcaldy Magistrates* (Court of Sessions (Scotland) 1919) the proprietor of the district served by a sewer undertook that until the receipts from the sewer rate should yield 5 per cent. of the cost of the sewer he would annually make up the deficiency in full. It was held that he could not deduct tax from his annual payment, as such deduction would not fulfil the provision that the deficiency should be made up in full.

DEDUCTION OF TAX—(*contd.*)

In the case of *In re Cain's Settlement ; Cain* v. *Cain* (Court of Appeal, 1919) shares in a limited company which were " to pay the income to the extent of but not exceeding £2,000 per annum " had been settled on a widow. Tax was deducted at source from the dividends in the usual way. It was held that the widow was not entitled to receive the annuity free of tax.

In the case of *In re M'Coy ; Cox* v. *Murray* (Irish Court, 1919) a fund representing the proceeds of the sale of 5 per cent. War Loan had been allocated in Court, and a claim was made by the Revenue for the payment of tax accrued in respect of the income of the fund. The claim was disallowed on the ground that the deduction of tax before the distribution of the fund would contravene the terms upon which the War Loan in question had been issued (*i.e.* that tax should not be deducted from the interest).

In *Murdoch's Trustees* v. *Murdoch* (Court of Session, 1918), a testator directed trustees to hold the free residue of his estate and to pay his widow the " free revenue thereof." By a codicil he directed that in the event of this free residue exceeding in any year the sum of £2,000, the payments to his widow were to be restricted to £2,000. The annual income from the estate after the deduction of all outlays always exceeded £2,000 and the trustees paid to the widow the sum of £2,000 less income tax. It was held that she was entitled to receive the £2,000 *without* deduction of tax.

In *Wilson's Trustees* v. *Wilson* (Court of Session (Scotland) 1919), a testator left his widow " the free yearly income (of his whole property) up to, if possible, £600 p. a. as an alimentary provision to cover all rent, rates, and taxes." He also directed that furniture and effects in his house, held on lease, should become the absolute property of his widow on his death. At the date of death testator's estate, amounting to £14,000, was all moveable and not heritable. It was held that income tax upon the bequest to the widow was payable by her.

In *Graham* v. *Seal* (Court of Appeal, 1919), the executors of a mortgagor, wishing to redeem the mortgage, tendered the principal money and interest due, less income tax. These sums were refused

DEDUCTION OF TAX—(*contd.*)

by the mortgagee on the ground that the mortgagor had agreed verbally after the date of the mortgage to pay interest in full without deduction of tax. It was held that the executors' offer was proper legal tender, and that the mortgagee's claim to be paid in full, on the strength of the verbal agreement merely, was outside his security.

In *Sweet* v. *Macdiarmid or Henderson* (Court of Session, Scotland, 1920), interest was paid to a widow on the balance of capital due to her from her deceased husband's estate under a decree of the Court. It was held that the interest was assessable to income tax.

In *Doxat* v. *Doxat; re Doxat* (Chancery Division, 1920), it was held that a bequest of an annuity "free of income tax and all other deductions" is a bequest of an annuity free of super-tax. In such a case the income of the residuary estate must bear such proportion of the total super-tax payable by the annuitant as the annuity with the income tax thereon added thereto bears to the total amount of the income of the annuitant assessed for super-tax.

In *Oldham* v. *Crosse; re Crosse* (Chancery Division, 1919). Trustees were required under a will to make payments which would provide a "clear annual sum of £4,000 per year free from income tax." It was held that super-tax was an additional income tax and therefore that the £4,000 a year should remain after payment of income tax and super-tax thereon. It was held that the decision in *Crawshay* v. *Crawshay* was distinguishable, because there the testator had given an annuity clear of all deductions for which the trustees would be liable, which description did not apply to super-tax, as super-tax was not chargeable on the trustees.

In *Hunt* v. *Foster; re Foster* (Chancery Division, 1920), it was provided under a will that if the testator's two sons should in certain circumstances receive more income than his two daughters the excess should be brought into account in favour of the daughters with interest thereon at 4 per cent. per annum, as from the date of the testator's death. The Court was asked to decide whether, in computing such excess, the interest of 4 per cent.

DEDUCTION OF TAX—(*contd.*)

should be taken in full, or less tax. It was held that as the remaining income of the estate had been computed by reference to the gross sum before the charge of income tax thereon the interest a 4 per cent. should be similarly computed.

A note may be added regarding the deduction of tax during that early period of the financial year prior to the passing of the Finance Act. Where tax is deducted at a rate smaller than that ultimately chargeable the person receiving the income may be assessed to cover the deficiency, and the agent who pays the dividends is required to furnish a list of all persons so paid in full and of the amounts of the payment. Further, any person liable to pay any rent, interest or annuity or to make any other annual payment, is authorized to make any deduction which he has failed to make before the passing of the Act (or to make up any deficiency in any deduction which he did make) from his next payment. If there is no future payment from which the deduction may be made he may recover the sum which might have been deducted as if it were a debt. (*I.T.A.*, 1918, *s.* 211.) The last-mentioned provision is designed to meet the case of a man who has himself suffered tax to include the amount he should have deducted.

In *Bowles* v. *Bank of England* (1912) it was decided that a resolution of the House of Commons has not the force of law so far as the deduction of tax is concerned. It is now enacted by the *Provisional Collection of Taxes Act*, 1913, that a resolution passed by the Committee of Ways and Means for the imposition of income tax, whether at the same or a different rate, and whether with or without modifications, shall have the force of law if it is duly confirmed, within four months, by the passage into law of the Finance Act.

See under the succeeding heading; also under FOREIGN TAXATION and DEBENTURES

DEDUCTION OF TAX AT CHANGING RATES.

Any change in the rate of income tax comes into force as from 6th April, but it is of course rare for the business year or quarter of any concern to be completed on this date. Difficulty is therefore to be expected as to the rate at which deductions should be made

DEDUCTION OF TAX AT CHANGING RATES—(*contd.*)
for income tax, from dividends, interest, annuities, etc., payable over periods which run into two financial years. All such payments must be classified according as the deduction should be made at the new rate, the old rate, or a proportion of both rates. Where the payments are made out of profits which have been or will be brought into charge to income tax, the deduction should be made at the rate or proportion of rates in force during the period in which the payments were accruing. (*I.T.A.*, 1918, *All Schedules, Rules* 19 *and* 21 (1).) Thus, having regard to the difference between the rates for 1921/22 and 1922/23, deductions should be made as follows: If the period during which the payment accrued was completed prior to 6th April, 1922, the deduction should be made at the 1921/22 rate (6s.); if the period ran partly before and partly after that date, the deduction must be made at a proportion of rates (*i.e.* partly at 6s. and partly at 5s.); if the period fell wholly after 5th April, 1922, the rate of deduction would be that operating for 1922/23 (5s.). On the other hand, where the payments are not made out of profits brought into charge to income tax, the deduction should be made at the rate in force at the date of payment, irrespective of the period over which the payments accrued. (*I.T.A.*, 1918, *All Schedules, Rule* 21.)

The following payments are made out of profits charged:—Ground rents, mortgage interest, etc., payable out of the rents of property charged under Schedule A; interest on loans, annuities or similar annual payments, where such interest, etc., may legally be, and in practice is, paid out of income which has been or will be charged to tax; the dividends, debenture interest, and interest on fixed loans of a company which is assessed to income tax in this country, provided that profits have been or are being made sufficient to pay such dividends, etc.; rent paid by a profit-making mining concern, quarry, gasworks, railway, etc., in respect of property not assessed according to annual value but according to the profits made by the concern. In all such cases, the person making the payment is simply charging to his creditor, shareholder, etc., the tax on such part of his profits as he passes on to such creditor. The question to be asked, therefore, is—during what period did the payment accrue? Tax should be deducted accordingly. Where

DEDUCTION OF TAX AT CHANGING RATES—(*contd.*)

dividends in arrear from past profitless years are now being paid, they should be regarded as paid out of current profits if they are in fact so paid.

The following payments are not made out of profits charged :— Interest on loans, annuities, etc., paid out of capital sums, municipal rates, etc. ; dividends, debenture interest, and interest on loans paid by a company out of capital, there having been and being no assessable profits out of which such payments could be made ; the proportion of dividends, debenture interest and interest on loans falling within the preceding description ; foreign and colonial dividends or coupons remitted to and paid by an agent in the United Kingdom. In all these cases the tax deducted must be handed over to the Revenue specifically, and the question to be asked is—what was the rate in force at the date of payment ?

DEDUCTIONS FROM PROFITS.

It is well known that, for the purpose of their own book-keeping, traders make many deductions from their profits which may not be made for income tax purposes. Notes on such deductions appear throughout this book under appropriate headings, but a summary of the rules governing the matter will be in place here.

The charging sections of Schedule D impose duty on " a sum not less than the full amount of the balance of the profits or gains," and then name certain deductions, some of which are admissible and some inadmissible. But it would be impossible for the acts to mention every deduction which a trader may or may not make. The law, therefore, lays down certain *principles* of prohibition, and any charges that are not ruled out thereby are assumed to be correctly made. Wages, for example, are nowhere mentioned, but there is no rule which could possibly exclude them. Advertising expenses, on the other hand, may or may not be of such a nature as to be affected by the prohibitions, as stated below. The named admissible deductions are few. When a trader rents a dwelling-house and uses part for business purposes, he may charge as a business expense so much of the rent as the commissioners will allow

DEDUCTIONS FROM PROFITS—(*contd.*)

(usually two-thirds thereof). (See under BUSINESS PREMISES.) Deductions are allowed also in respect of sums expended for the supply and repair of implements used in business. (See under IMPLEMENTS.) Provision is also made for the deduction of bad debts, and specific debts which the trader regards as doubtful may be estimated at a proper value. (See under DEBTS.)

Inadmissible deductions may be grouped under three headings, namely, capital expenses, the trader's personal expenses, and expenses not having such connection with the business as is required by statute. In addition to these, annual interest is expressly named as an inadmissible deduction.

As regards capital expenses, the trader is assumed to commence with sufficient capital for properly carrying on the business, and to be set up with all requisite fittings, etc. No preliminary expenses are allowed, neither may he charge the expense of borrowing capital (or paying interest thereon), nor of obtaining a lease of premises. In the case of certain gasworks which were in a defective condition when purchased, it was held that no deduction might be made in respect of sums set aside for future expenditure in restoring the plant. (*Clayton* v. *Newcastle-under-Lyne Corporation*, 1887.) Other capital expenses expressly forbidden to be charged include sums employed in the improvement of premises, items of capital withdrawn from the business, and interest on capital which might have been made had it been employed elsewhere. The cost of removing machinery from one manufacturing depot to another has been held to be inadmissible. (But see under REMOVALS.) Advertising expenses are dealt with on their merits. If advertising is necessary to retain the normal quantity of business, the cost may be deducted. Vendors of patent medicines, for example, are almost invariably allowed the charge. On the other hand, a concern which spends abnormal sums in announcing the opening of a new branch is clearly barred from deducting the expense. (See under ADVERTISEMENTS.)

The principle which prohibits the deduction of personal expenses is well known. The maintenance of a trader and of his family is expressly stated not to be a relevant item of expense. A wife's

DEDUCTIONS FROM PROFITS—(*contd.*)

" earnings " in her husband's business are regarded as part of his income. All owners' drawings, whether described as interest on capital, wages or otherwise, are part of the profits assessable. Income tax also is regarded as a personal matter, and may not be charged as a business expense. The application of profits is ignored when once they are made. If a trader chooses to create a reserve fund he must do it out of profits that have borne the tax ; for, as has been remarked by a judge, " The law does not allow all deductions which a prudent trader would make."

The third principle to be remembered is that expenses are only allowed when they are wholly or exclusively laid out for purposes of trade. The case in which this rule was most clearly brought out had to do with damages imposed on certain innkeepers in respect of injuries caused to a visitor by a falling chimney. No deduction was allowed in respect thereof. The Lord Chancellor pointed out that it did not follow that, if a loss were in any sense connected with trade, it must always be allowed as a deduction. Losses can only be deducted if they are incidental to the trade itself. " Thus," he said, " losses sustained by a railway company in compensating passengers for accidents in travelling might be deducted. On the other hand, if a man kept a grocer's shop, for keeping which a house is necessary, and one of the window shutters fell upon and injured a man walking in the street, the loss arising thereby to the grocer ought not to be deducted." (See under ACCIDENTS.) This example illustrates a somewhat doubtful principle. A subscription paid to secure indemnity in the event of stoppage of trade has been disallowed. It was held not to be an expense of carrying on trade, but a provision for the time when the trade could not be carried on. (See under TRADE ASSOCIATION.) There is a special provision which is applicable to a trader who carries on more than one business. He may set losses incurred in one or more against the profits of another. But the concerns must be trades, manufactures, adventures or concerns in the nature of trade assessed under Schedule D (Case I). Losses incurred in trade by a person who also exercises a profession or employment, must be dealt with by repayment under the provisions explained in Chapter IV.

The statutory personal allowances and deductions should not

DEDUCTIONS FROM PROFITS—(*contd.*)

be deducted from profits, but should be claimed separately on the form of return. (See Chapters V and VI.)

Practical rules for the adjustment of accounts for income tax purposes will be found in Chapter II.

DEFERRED ANNUITIES.

Premiums paid by any individual in respect of a deferred annuity on his own life or the life of his wife, or premiums deductable under Act of Parliament or the terms of his employment from his salary for the purpose of securing a deferred annuity to his widow or children after his death, come within the operation of the relief described under LIFE ASSURANCE.

Annual contributions paid by an employer or employed person to an approved superannuation fund, are an allowable deduction from income, provided they do not fall within the operation of the provisions governing the life assurance allowance. (*F.A.*, 1921, *s.* 32.) See under SUPERANNUATION FUNDS.

DEPENDENT RELATIVES.

The allowances granted in respect of dependent relatives fall under the three following headings. In each case the expression "relative" includes any person of whom the person claiming a deduction had the charge and whom he maintained at his own expense while that person was under 16 years of age.

Relatives Taking Charge of Widower's or Widow's Children.

An individual proving that he is a widower and that for the year of assessment a female relative (of his or of his deceased wife) resides with him for the purpose of having the charge of any child of his (as below) is allowed a deduction of £45. This deduction is also allowed if the claimant proves that he has no relative able or willing to take such charge, and he has employed some other female for the purpose.

The deduction is not allowed unless the claimant can prove that no other individual is granted an allowance in respect of the relative in question, and that if the relative is a married woman

DEPENDENT RELATIVES—(*contd.*)

living with her husband, the husband has not been granted the marriage allowance in respect of her.

The expression "child" means a child in respect of whom a deduction is allowed (see under CHILDREN, page 166).

The section also applies to a widow having residing with her for the above-mentioned purpose a female relative of her own or of her deceased husband.

Relative taking Charge of the Brothers or Sisters of an Unmarried Individual.

An individual who proves that he is unmarried and has living with him either his mother (being a widow or living apart from her husband) or some other female relative, for the purpose of having the charge of any brother or sister of his in respect of whom the children's allowance may be granted (see page 166) and that he maintains the mother or relative at his own expense, is allowed a deduction of £45, provided that no other person is allowed a deduction in respect of the same person.

Dependent Relatives Incapacitated by Old Age or Infirmity.

An individual proving that he maintains at his own expense—

(i) any relative of his, or of his wife, who is unable by reason of old age or infirmity to support himself or herself, or

(ii) his or his wife's widowed mother,

is allowed a deduction of £25 provided that such dependent's income does not exceed £50 per annum.

The provision applies to a female claimant similarly maintaining an incapacitated relative of her own or of her husband.

In the case of two or more persons maintaining such relative, the deduction is to be apportioned between them according to their respective contributions to the maintenance of the relative.

A deduction of £25 is also made in the case of a claimant who owing to old age or infirmity, is compelled to depend on the services of a daughter resident with and maintained by him or her.

DEPRECIATION.

As to depreciation of capital see under EXHAUSTION OF CAPITAL. The following notes will be confined to the deduction allowed in

DEPRECIATION—(*contd.*)

respect of the wear and tear of plant and machinery. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 6.)

The enactments are as follows: The commissioners may allow such deduction as they think just and reasonable as representing the diminished value by reason of wear and tear, during the year, of any machinery or plant used for the purposes of the concern assessed and belonging to the person carrying on the concern. Where the machinery is let to this person on terms that he shall maintain it and deliver it in good condition at the end of the lease, he is deemed to be the owner. (Where the lessor has the burden of maintaining and restoring it he may claim repayment of such tax deducted from his rent as represents tax on the allowance due during the year.) Claims should be included on the annual statement of profits (*i.e.* Form 1 or 11 in most cases—see Chapter X for specimens), and the Additional or Special Commissioners (who make the assessment) will make the allowance they think just and reasonable.

Referees.

The effect of a 1918 enactment is to permit a Board of Referees to adjudicate on the matter in place of the General or Special Commissioners of Income Tax. The Board of Referees is the Board "appointed for the purpose of Part III of the Finance No. 2 Act, 1915," or if there is no such Board, "a Board of Referees to be appointed for the purpose by the Treasury."

The Referees indicated are those who act in connection with applications for increased statutory percentages in regard to the Excess Profits Duty.

The requirements are—

(i) That the Commissioners of Inland Revenue must be satisfied that the application is not "frivolous or vexatious."

(ii) That the Board of Referees must be satisfied that the application is made by or on behalf of any considerable number of persons engaged in any class of trade or business who are dissatisfied with the amount of any existing deduction for wear and tear.

The expression "class of trade or business" means a class of trade or business which may be determined to be such by the

DEPRECIATION—(*contd.*)

Board of Referees. It is understood from statements made in Parliament that a liberal view will be taken as to what constitutes a class of trade or business.

Application under this enactment is required to be made to the Commissioners of Inland Revenue, who will refer it to the Referees, who will determine the matter.

General.

No allowance may be made in any year which, added to the allowances made in previous years to the person by whom the concern is carried on, will make the aggregate exceed the total cost to that person of the machinery and plant, including any capital expenditure by way of renewals, improvement or reinstatement. Where an allowance due may not be made in any year because the amount of the assessment is too small to cover it, the allowance (or part) not made may be carried forward to future years.

The first consideration must be the extent of the description "machinery and plant." It is evident that this term has been deliberately adopted with a view to confining the allowance to a particular class of asset. "Implements and utensils of trade" are dealt with in another way, *i.e.* by an allowance of the average sums expended in supplying, repairing or altering them. Expenses connected with premises and similar forms of capital may in no case be deducted. Machinery and plant may be roughly described, therefore, as a middle class of asset, standing between implements and utensils, on the one hand, and such fixtures as warehouses, mine-pits, etc., on the other. Among implements and utensils must be placed the type of a printer, the pickaxes of a contractor, and the lamps of a gas company. Printing machines, steam-engines, and gasometers, on the other hand, must fairly be considered as plant and machinery. Trams and ships are likewise included in the term, as are also most assets with which the business may be said to be carried on (as distinct from articles which are merely used in the business). In certain cases attention must no doubt be paid to the dictionary meaning of the words "machinery and plant." A carrier may carry on his business with his horse, but this animal is neither plant nor machinery. If, however, a

DEPRECIATION—(*contd.*)
particular trader's assets are on the border line between utensils and plant, it is satisfactory to know that the only question will be the manner in which an allowance should be made ; *i.e.* whether by reference to renewals (see under UTENSILS) or to depreciation. Between plant and the items of capital for which there is no allowance there is an unmistakable difference.

The second matter for determination is the nature of " wear and tear." The term does not include every decrease in the value of plant and machinery. A piece of machinery may decline very quickly in market value irrespective of considerations of " wear and tear." This is not relevant to the allowance. A machine may become less useful to its owner by reason of the invention of better machinery ; but neither may this depreciation in comparative earning power be described as diminished value by reason of wear and tear. It is simply " physical deterioration " to which the term applies. (*Burnley Steamship Co.* v. *Aikin*, 1894.) The special commissioners refused an allowance in respect of certain new plant on the ground that during the first five years of its life that plant required no repairs and was therefore of the same value (*i.e.*, capable of earning the same amount of income so far as its physical condition only was concerned) as when it was new. Their decision was upheld on appeal, and the case well illustrates the *principle* which underlies the allowance. (*Caledonian Railway Co.* v. *Banks*, 1880.) That it must not be applied indiscriminately is proved by the following dictum by Mr. Justice Channell in *London County Council* v. *Edwards* (1909):—" I do not quite agree with the view put forward, that a new thing cannot be depreciated in value by wear and tear, and that as long as the thing in question is fit to do its work and does not require replacing there is no diminution in value by wear and tear. It seems to me that the value of a thing depends to a certain extent not only upon its present use, but upon the period which it is likely to last ; and that a rail which is fit to use now, and to use for two years more, is not so valuable as a rail which is quite new and will be fit to use for twenty years. The difference is a diminution caused by wear and tear, and a diminution of value by wear and tear within the meaning of this section. It is a fallacy to say because this plant is all new and because nobody would

think of doing anything to it at the end of one year only, that it is not diminished in value at all."

The consequence of the restrictions referred to is that the deduction allowed by the Income Tax Acts is frequently less than the amount which a trader feels compelled to write off for his own purposes. He may know that after a single week's use his new machine could not be sold for anything approaching its cost price. He will, therefore, write down its value in his books, but this does not give him a title to an equivalent allowance for income tax purposes. Again, a trader may find that a new invention has made his machinery almost valueless. Prudence requires him to depreciate heavily, but the commissioners must not be moved by such a consideration. The invention has not accelerated the "physical deterioration."

In 1918 the allowance was extended so as to cover "diminished value by reason of any plant and machinery having been temporarily out of use at any time during the year through circumstances attributable, directly, or indirectly, to the present war."

The third matter for consideration concerns the calculation of the allowance due. At what rate per cent. and on what value should the allowance be made? The Acts are silent as to this. The commissioners who make the assessment are required to allow "such deduction as they think just and reasonable as representing the diminished value by reason of wear and tear." The only limitation imposed is that the total deduction must not exceed the total cost (including capital expenditure by way of renewal, improvement or reinstatement) of the plant to the person claiming the allowance. Where the plant has a breaking-up value (*e.g.* a ship), it is usual to restrict the aggregate allowances to the difference between the total cost and that value. All that can be said as to the rate is that the acts require it to be just and reasonable, but the commissioners' judgment on the matter is final. The allowance will be according to the nature of the machinery, as proved by the person concerned. Several cases have emphasized the power accorded to the commissioners in this matter. Thus, the commissioners' opinion that, in a particular case, an allowance already made for repairs and renewals was sufficient to cover the loss by reason of wear and tear, was upheld on appeal. (*Caledonian Railway*

DEPRECIATION—(*contd.*)

Co. v. *Banks*, 1880.) In certain cases as to the insufficiency of the rate allowed (*Leith, Hull, and Hamburg Steam Packet Co.* v. *Bain*, 1897), and as to an alleged incorrect basis of allowance (*British India Steam Navigation Co.* v. *Leslie*, 1900; and *Peninsular and Oriental Steam Navigation Co.* v. *Leslie*, 1900), the commissioners' determination was declared to be absolute. In other cases it has been held that it is reasonable to base the allowance on the wear and tear occurring during the year of assessment (*Cunard Steamship Co.* v. *Coulson*, 1899); also that no reference should be had to any interest which the sum otherwise allowable would produce if invested during the lives of the ships concerned. (*Leith, Hull, and Hamburg Steam Packet Co.* v. *Musgrave*, 1899.) In the latter case Lord Trayner commented that "to take the average life of a steamer, and over that period to spread the original cost, appears a very just and reasonable way of ascertaining what that allowance or deduction should be." A recent decision is to the effect that the allowance attaches to the business and not to a particular owner. A fleet of steamships changed hands, but the new owners were assessed on the average profits of their predecessors. It was held that a deduction for wear and tear which had not been allowed to the former owners (their profits not having been large enough to cover it) should be allowed to the new owners. It was, of course, an essential feature of this case that these new owners were, for purposes of assessment, regarded as successors to the old business. (*Scottish Shire Line, Ltd.* v. *Lethem*, 1912.)

It has been shown that the only guide to the percentage of capital value to be allowed is that it should be fair and reasonable, and it is evident that Lord Trayner's dictum (quoted in the previous paragraph) suggests the most satisfactory basis. The exact rate per cent. will, therefore, depend: (*a*) on the average life of the machinery in question, and (*b*) on whether the prime cost or the written-down value is adopted as the starting-point of each year's calculation. Except in the case of shipping, the general rule is to adopt the written-down value, and if the commissioners consent to the prime cost being taken, it is obvious that they will allow a smaller percentage. (Five per cent. on the written-down value for twenty years is equivalent to $3\frac{1}{4}$ per cent. on the prime cost for the

DEPRECIATION—(*contd.*)

same period.) Whichever system is adopted, each year's cost of additions, renewals and improvements, may be treated as a new capital outlay on which the allowance will henceforth be made. Examples are now given to illustrate how the allowance is arrived at on each basis.

(1) An allowance of 5[1] per cent. *on the prime cost* (£10,000 in 1918) has been agreed upon. There was additional expenditure by way of renewals and additions as follows: 1918—£800; 1919—£1,000; 1920—£400. In 1919 a machine, whose value made up £1,000 of the £10,000 shown above, was scrapped as obsolete and was replaced by a new one costing £2,000. In 1920 a machine, whose value made up £500 of the £10,000 shown above, was sold for £100, and was not replaced.

Prime cost up to 1918	£10,000	
Allowance for 1918 (at 5 per cent.)		£500
Additions during 1918	800	
Prime Cost, 1919	10,800	
Allowance for 1919 (at 5 per cent.)		540
Prime cost of machine scrapped in 1919	1,000	
	9,800	
New machine during 1919	2,000	
Other Additions during 1919	1,000	
	12,800	
Allowance for 1920 (at 5 per cent.)		640
Prime cost of machine sold in 1920	500	
	12,300	
Additions during 1920	400	
	12,700	
Allowance for 1921 (at 5 per cent.)		635

(2) An allowance of 5 per cent. *on the written-down value* has been agreed upon. This written-down value was £8,000 at the beginning of 1918. There was additional expenditure by way of additions and renewals as follows: 1918—£600; 1919—£800; 1920—£400. In 1919 a machine, whose written-down value at the beginning of 1918 was £1,000, was scrapped as obsolete and was replaced by a new one costing £2,000. In 1920 a machine, whose

[1] 5 per cent. is not taken here as representing the *normal* rate. There is no normal rate of allowance.

DEPRECIATION—(*contd.*)

written-down value at the beginning of 1914 was £500, was sold for £100 and was not replaced.

Written-down value for 1918	.. .. ..	£8,000
Allowance for 1918 (at 5 per cent.)	.. .. ..	400
Leaving	.. ..	7,600
Additions during 1918	.. ..	600
Written-down value for 1919	.. .. ..	8,200
Allowance for 1919 (at 5 per cent.)	.. .. ..	410
Leaving	.. ..	7,790
Written-down value of machine scrapped (£1,000 for 1918)	.. ..	903
		6,887
Additions during 1919 (£800 plus £2,000)	.. ..	£2,800
		9,687
Allowance for 1920 (at 5 per cent.)	.. .. ..	484
Written-down value for 1920	.. .. ..	9,203
Written-down value of machine sold (£500 for 1918)		429
		8,774
Additions during 1920	.. ..	400
		9,174
Allowance for 1921 (at 5 per cent.)	.. .. ..	459

The allowance made against profit in respect of obsolescence is dealt with under OBSOLESCENCE. The cost of renewals, as well as of additions and improvements is assumed to have been added to the capital value and not to have been charged against profits. It should be noted that allowance may only be made in respect of so much of the capital expense as will depreciate. Thus, in the case of a tram-line much of the cost of preparing the road will never need to be repeated, nor will expenditure incurred in altering a building for the reception of machinery. Neither expense may be set against profits, and both are possibly included in the capital value of the plant on which depreciation is allowed. But both expenses must be ignored in estimating the allowance due for wear and tear.

In *Dumbarton Harbour Board* v. *Cox* (1918) the Harbour Board was assessed, under No. III of Schedule A, according to the profits

DEPRECIATION—(*contd.*)

of the preceding year. In a particular year the company incurred dredging expenditure for the maintenance of the harbour considerably in excess of the income for that year. The Company made two alternative claims, both of which were rejected by the Court—

(*a*) The Company claimed that the dredging expenditure was equivalent to the making good of the wear and tear of plant, and that an allowance should, therefore, be made over a series of years under the enactment now incorporated in the Income Tax Act, 1918, Schedule D, Cases I and II, Rule 6.

As regards this claim the Court held that the harbour bed was not plant or machinery and that silt was not wear and tear.

(*b*) Alternatively the Company claimed that as assessments under No. III of Schedule A are required to be made according to the rules of Schedule D so far as such rules are consistent with No. III of Schedule A, it was entitled to a deduction for repairs on the average of three years, under the rule now stated in the Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3 (D).

On this point the Court decided that as No. III of Schedule A requires assessment on the profits of the preceding year, it would not be consistent with that Rule to apply provisions of Schedule D so as to permit repairs to be deducted on an average of three years. "In short, you cannot compute the earnings of this harbour in one way and 'repairs on premises' in another way." (The Lord President.)

A note may be made as to machinery changing hands. (As to this see also the decision referred to above, *Scottish Shire Line, Ltd.* v. *Lethem*, 1912.) It should be remembered that the only restriction placed on the annual allowances is that the aggregate thereof may not exceed the total cost of the machinery *to the person to whom it is allowed.* The fact that the previous owner may have exhausted his allowances does not prevent the present owner from claiming an allowance based on the actual cost of the machinery to him.

It may be observed that the deduction from assessments is restricted to the cases of trades, manufactures and concerns in the nature of trade assessed under Case I of Schedule D, and to concerns

DEPRECIATION—(*contd*).

chargeable by reference to the rules of that Schedule. The last phrase includes mines, quarries, waterworks, railways, etc., assessable under Schedule A, No. III.

DEPRECIATION OF MILLS, FACTORIES, AND SIMILAR PREMISES.

From 1918 an allowance has been made to cover the depreciation or mills, factories, and similar premises in the United Kingdom occupied by the owners. In 1919 it was extended to such premises occupied by the owner for purposes of trade and *situate outside the United Kingdom*. The provision is also extended to the concerns assessable under Schedule A, No. III, Rules 1, 2 and 3. (See page 431). The allowance may be illustrated as follows—

Old position—	£	£
Profits of concern assessable under Schedule D before any deduction is made for the annual value of trade premises owned, but after deduction is made in respect of the cost of repairs		10,000
Deduct amount on which tax has been paid under Schedule A in respect of the trade premises (*i.e.* annual value of trade premises)	1,200	
Less—		
Allowance for repairs under Schedule A	200	
		1,000
Profits previously assessable under Schedule D		£9,000

In all, the concern would have paid tax on £10,000 (£1,000 plus £9,000), which is the amount of the actual profits, ignoring depreciation of buildings.

New position—

Under the new enactment, tax will be payable as follows—

	£
As above	10,000
Less—	
Annual value under Schedule A	1,200
Profits now assessable under Schedule D	£8,800

In all, the concern will be taxed on £9,800 (£1,000 plus £8,800) as against the £10,000 which would be its profits, ignoring the depreciation of buildings.

DEPRECIATION OF MILLS, FACTORIES, AND SIMILAR PREMISES—(*contd.*)

The difference of £200 represents the allowance now made in respect of the said depreciation of buildings. The enactment is confined to mills, factories, or similar premises owned by the trading concerns.

DEPRESSION OF TRADE.

A depression of trade affords no reason, by itself, for a trader's assessment (presumably based on his average profits) to be reduced. If he makes an absolute loss in any year he may appeal as stated under Loss. Where he makes a profit, however small, he must let it take its effect on his assessments for the next three years. When, however, an " unusual, exceptional, extraordinary " depression of trade follows on the acquisition of a business from the previous owner, the new proprietor may appeal subject to the limitations stated under SPECIFIC CAUSE. (*Ryhope Coal Co.* v. *Foyer*, 1881.)

DEPUTY.

A deputy (as distinct from a substitute—see under SUBSTITUTE) is assessable through his principal if the latter receives combined remuneration assessable under Schedule E. Tax is deductable from the deputy's salary. (*I.T.A.*, 1918, *Schedule E*, *Rule* 17.)

DESTROYED DOCUMENTS.

Where any assessment, duplicate, return or other document has been lost, defaced, or otherwise rendered useless, the Commissioners are empowered to proceed as if an assessment or duplicate had not been made, or the return or other document had not been furnished. (*F.A.*, 1920, *s.* 61.)

DEVELOPMENT EXPENSES.

The expense of developing an estate may not be allowed against subsequent profits unless it is a part of the trade in question to develop that estate. Thus, if a company purchases a forest with the intention of clearing the ground and growing rubber thereon, the cost of removing the trees may not be charged against any profits made out of the sale of rubber. If, on the other hand, the

DEVELOPMENT EXPENSES—(*contd.*)
company's business is to purchase wild lands, to clear them and to dispose of them to other companies in their improved condition, the expense of clearing should be allowed against the price the land is sold for. In the latter case it is clearly part of the company's ordinary trading operations to develop the estate so that it may be sold in its developed condition.

The broad principle is that charges incurred in the development of a company's assets before that company can commence to carry on the business for which it is formed, should not be allowed as deductions from the company's profits. They should rather be regarded as capital outlay similar to the amount paid for the assets in their undeveloped state. This principle extends to all classes of assets, including mining concessions, plantations, etc.

Recurring expenses, such as the annual weeding of plantation lands, should be distinguished from the development expenditure referred to. Such expenses are allowable, as shown under PLANTATIONS.

DILAPIDATIONS.

No allowance is made for the dilapidation of property except as stated under REPAIRS.

DIPLOMATIC PRIVILEGE.

See under FOREIGN MINISTERS.

DIRECTORS.

The directors of a company are assessable under Schedule E, on the amount of the fees payable to them within the year of assessment. Commissions and percentages of profits payable to directors are dealt with under COMMISSION. Some of the provisions of Schedule E are a little uncertain as to their application to the directors of a limited liability company, particularly regarding the deduction of tax from their fees by the secretary of the company. The sixth rule of Schedule E (*I.T.A.*, 1918, *Schedule E, Rule* 12) would appear to require this deduction, but the case of *Pickles* v. *Foster* (1913) suggests that certain of these rules refer to Government

DIRECTORS—(*contd.*)

servants only. In any case it may be taken for granted that the deduction of tax from directors' fees is never required by the Revenue authorities. It is the common practice of secretaries to make this deduction and to pay over the tax to the collector, but this is only for the convenience of directors. The secretary is required, however, to make an annual return of the remuneration payable to directors. (See under SECRETARIES.)

The directors of a company may not require the company to bear the income tax charged in respect of their fees unless the Articles of the company so provide. (*Boschoeck Proprietary Co., Ltd.* v. *Fuke*, 1906.) Where tax is so borne, it is considered part of the emoluments, and the assessment is made on a gross figure which, less tax, will give the nominal amount of the fees.

Travelling expenses incurred by directors in attending directors' meetings may not be charged against their fees. (*Revell* v. *Directors of Elworthy & Co., Ltd.*, 1890.)

The proprietor of a business made a loss for three years, and then converted the business into a limited liability company, himself receiving a salary as managing director. He was not allowed a deduction in respect of the previous losses. (*Bray* v. *Brothers*, 1897.)

The directors of a company are assessable at its registered offices, where they are presumed to perform their duties. A director who has no residence in the United Kingdom and who has not attended the registered office during the financial year (being required to perform his duties abroad), is not liable to income tax on any remuneration which is paid him abroad. (*Pickles* v. *Foster*, 1913.)

In *Eyres* v. *Finnieston Engineering Co., Ltd.* (1916), the directors of the company received dividends on their shares, such dividends being described in the company's Articles as the remuneration of the directors. It was held that the dividends in question remained dividends for income tax purposes, and did not become remuneration by reason of the Articles of Association.

DISCOUNT.

Discount which is taken off the price of goods in recognition of prompt payment, is ignored for income tax purposes. The trader is simply regarded as having sold his goods for the smaller price.

DISCOUNT—(*contd.*)

Discount which is really interest, however, is assessable as interest. (*I.T.A.*, 1918, *s.* 1, and *Schedule D, III, Rule* 1.) This charging section is no doubt meant to meet the fact that what is discount to the person who allows it is interest to the person who receives it. When a person is entitled to a certain payment at a future date and a second person hands him a smaller amount at once, in return for the right to receive the payment when it is due, the difference (*i.e.* discount to the first person) is interest on money advanced so far as the second person is concerned. This difference is assessable as interest, except where it arises in the course of a bill-discounting business in which case it is a profit of trade.

In *National Provident Institution* v. *B. J. Brown* and *Provident Mutual Life Association* v. *Ogston* (House of Lords, 1921), the Company was assessable on the difference between the amount paid for Treasury Bills before maturity and the amount received from them on resale at a later date or on maturity. The Courts appreciated that there were likely to be arithmetical difficulties in apportioning the profit to the correct years of assessment. Rowlatt, J.—"The difficulty of adjustment as between the years does not lead me to modify my view, that the profit in itself is taxable as an annual profit or gain."

See under Schedule D, Case III, as regards the assessment of such profit under Case III of Schedule D, in the year after that in which the profit accrued.

DISCOUNT HOUSES, INTEREST PAID TO.

See under INTEREST PAID TO DISCOUNT HOUSES, ETC.

DISTRAINT.

When duties are unpaid the collector may distrain on the goods of the person on whom the assessment is made or on any goods on the premises in respect of which the assessment is made. When the assessment is on trading profits the trader alone may be distrained on. When the assessment is for property tax (Schedule A) any goods in the house may be seized, but not the goods of the owner of the premises resident elsewhere unless the assessment is made on him. (See under LANDLORD as to this.) A tenant may

DISTRAINT—(*contd.*)
be called upon to pay the arrears of property tax due from the previous tenant, and may deduct the amount from his next payment of rent. He may not be distrained on, however, for any arrears the previous tenant ought to have paid and ultimately borne himself, *i.e.* when the previous tenant was also the owner. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 7.) When lands charged to property tax are unoccupied and no subject for distraint can be found thereon, the collector may enter upon the lands and distrain at any subsequent time when he finds thereon anything which he may seize (to whomsoever it may belong). (*I.T.A.*, 1918, *s.* 164.)

A collector may distrain by authority of the warrant given to him by the local commissioners on his appointment. He may also obtain from them a warrant authorizing him to break open any premises in the daytime. Goods distrained are required to be kept for five days at the expense of the person owing the duties, after which they may be appraised and sold by auction. (*I.T.A.*, 1918, s. 162.) See under CROWN as to the priority of distraint for income tax over process for the recovery of other debts. The costs of distraint are as follows—

(1) *For sums not exceeding* £20. For levying distress, 3s. ; for the man in possession, 2s. 6d. per day ; for appraisement, 6d. in the pound on the value of the goods ; for advertising, not exceeding 10s. ; other expenses incurred during the sale, not exceeding 1s. in the pound on the net produce of the sale.

(2) *For sums exceeding* £20. For levying distress, 3 per cent. up to £50, 2½ per cent. up to £200, 1 per cent. afterwards ; for the man in possession 5s. per day ; for appraisement, 6d. in the pound on the value of the goods ; for advertising, any sum necessarily paid ; other expenses incurred during the sale, 7½ per cent. on the nett produce up to £100, 5 per cent. on the next £200, 4 per cent. on the next £200, 3 per cent. on any sum between £500 and £1,000, 2½ per cent. on any sum exceeding £1,000.

The case of *MacGregor* v. *Clamp & Son* (1913) is of importance. In distraining for arrears of house duty and of income tax under Schedule A, a collector seized the implement of trade (a piano) of a third person, which was on the premises. It was held that the distraint was not illegal. (*a*) The Crown's right of distraint

DISTRAINT—(*contd.*)

is not affected by the *Law of Distress Amendment Act*, 1888, *s.* 4, which protects implements of trade from seizure at a landlord's suit. (*b*) Both income tax under Schedule A and inhabited house duty are charged upon the premises, and distraint may therefore extend to all goods on the premises. Bray, J., said: "It was contended that this was really a distress in the nature of a distress for rent, and consequently came within the Law of Distress Amendment Act, 1888. The answer to that is that the Act applies only to a distress for rent, and this was a distress for taxes; and there is a further answer, that the Act does not limit the rights of the Crown at all, and that the rights of the Crown are not affected by any statute unless expressly dealt with. It was further said that this piano being an implement of trade could not at common law be seized under a distress; but the authority which has been cited, *Hutchins* v. *Chambers*, is an answer to that contention. In that case, Lord Mansfield, C.J., held that where a distress was really in the nature of execution, exemption did not apply and the right to distrain was not so limited, and that the right of distress by the Crown for taxes was really by way of execution. That disposes of the point that the piano was an implement of trade. . . . In the present case, the taxes are Income Tax under Schedule A and Inhabited House Duty. The appellant admits that the case of Inhabited House Duty cannot be distinguished (from the case of *Juson* v. *Dixon*); but it is contended that Income Tax under Schedule A, though levied upon the occupier, is not really a tax upon the occupier or charged upon the premises. I think that contention is answered by referring to Section 70[1] of the Income Tax Act, 1842, under which this tax is imposed. That section provides (his lordship read the section). This tax is, therefore, a distinct charge upon the lands and premises. In my opinion, therefore, it is impossible to distinguish this case from *Juson* v. *Dixon*." See also the comments of Lush, J.: "The common law was always more indulgent to a tenant, as between him and his landlord, than to a taxpayer, as between him and the Crown. They both had power to distrain; but this limit was put on the power of

[1] Now Schedule A, No. VII, Rule 4 (1918).

DISTRAINT—(*contd.*)
the landlord, that the tenant's implements of trade were exempt from distress. There was no such limit in the case of a distress by the Crown for taxes. . . . With regard to the second point, it seems to me to be clear on looking at the language of Section 162 of the Income Tax Act, 1918, and considering what was the law before that Act, that that section does give the right to the Crown, both in the case of Inhabited House Duty and of the duties under Schedule A of the Income Tax Act, 1918, to distrain not only on the goods and chattels of the taxpayer, but also upon any goods upon the premises charged. The language of the section is clearly wide enough to cover such goods and is identical with that of Section 33 of 43 Geo. III, c. 99. Now there is this limit, according to the decision in *Shaftesbury* v. *Russell*, to be placed upon the provisions of Section 162 of the Act of 1918, that if the particular tax is one which is solely and strictly charged upon the person who has to pay it, then, notwithstanding the language of the statute, the tax being purely a personal one, it can only be recovered by distress upon the goods of the person chargeable with the tax. If, however, the tax is not purely personal, but is charged upon the premises, then it matters not that the goods seized belong to a third person. The decision in *Juson* v. *Dixon* is a clear authority to that effect."

DIVIDENDS.

Dividends paid by a trading company are taxed by assessment on the company. The company is entitled to deduct tax from every payment of dividend, but frequently elects to make the payments without deduction, *i.e.* " free of income tax."

In any claim to allowance, deduction, or repayment by the shareholder, or in a super-tax return, he should include the gross amount of the dividends received by him. If he receives £5 less tax at 5s. (£3 15s.) he should show his income from this source as £5. If he receives £5 free of income tax, he should return £6 13s. 4d. (£6 13s. 4d. less tax at 5s. is £5). The claim will be for the financial year ending on 5th April, and the dividends included thereon will be those which accrued to dates within this year, irrespective of the dates of payment.

DIVIDENDS—(*contd.*)

Tax deducted from dividends may usually be repaid only to the persons whose names the vouchers bear. When shares are bought cum-dividend after the date to which the dividend accrues, the dividend must be regarded as the income of the person who held the shares up to that date. That person may claim repayment if his income is within the limits (see under REPAYMENT), but the buyer may not. (See under CUM- AND EX-DIVIDEND as to this.)

In *Ashton Gas Co.* v. *Attorney-General* (1905) it was held that where a dividend was limited by Act of Parliament to 10 per cent., a dividend of " 10 per cent. less income tax " was intended.

See also under BONDS; COUPONS; DEDUCTION OF TAX; DEDUCTION OF TAX AT CHANGING RATES.

DOCKS.

Docks are assessable on the amount of the profits earned during the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 3.) Duty is chargeable on the full amount of the profits without any deduction for rent and similar payments, from which tax should be deducted by the proprietors of the dock.

The rules of Schedule D apply so far as they are consistent with those of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.)

DOMESTIC EXPENSES.

The Income Tax Acts prohibit any deduction from profits in respect of the expenses of maintenance of the proprietor or of his family. When a trader withdraws some of his goods for domestic use he should make an allowance therefor in his accounts. When any of his children or other relatives (except his wife) earn their livelihoods in his employ, and he provides their board and lodging as part of their remuneration, the expense thereof may be charged in his accounts as a trade expense.

DOMICILE.

The matter of domicile has no bearing on the question of a man's liability to income tax, except (*a*) as regards his liability on foreign income remaining abroad (see page 249); and (*b*) as regards his

DOMICILE—*(contd.)*

liability to tax on the yield of the Anglo-French American loan. (See under WAR SECURITIES.) In other cases the material point is that of residence, and it is well established that a man may have residences all over the world and still be liable as a resident in the United Kingdom. (See under RESIDENCE regarding this matter.)

DOMINION INCOME.

No distinction is drawn, under the Income Tax Acts, between Colonial income and income arising in a foreign state, except as shown under DOMINION INCOME TAX RELIEF. Colonial Income is dealt with under FOREIGN INCOME.

DOMINION INCOME TAX RELIEF.

The Dominion Income Tax relief in force from 1920/1 is set out in Chapter VII.

The Finance Act, 1921, *s.* 28, requires notice of any claim for relief under the Finance Act, 1920, *s.* 27, together with particulars of the claim, to be given in writing to the Inspector of Taxes concerned, or in the case of a person who is not resident in the United Kingdom, to the Commissioners of Inland Revenue at Somerset House, London, W.C.

Where the Inspector or Commissioners make objection to the claim the Special Commissioners require to hear and determine the claim as in the case of an appeal to them against an assessment under Schedule D. The Special Commissioners in determining a claim have power to determine the rate at which relief is to be given, the amount of relief to be given, and all questions whatsoever incidental to the determination of the matters in question.

All provisions of the Income Tax Acts relating to appeals (including the provisions relating to the statement of a case in appealing to the High Court on a point of law) are required to apply with any necessary modifications.

The above provisions apply to any outstanding claims under the enactments prior to the Finance Act, 1920, giving relief in respect of taxes paid in the Dominions.

There have been legal decisions as to the position of a Preference

DOMINION INCOME TAX RELIEF—(*contd.*)

Shareholder entitled to a fixed dividend, in relation to this relief. It is now settled that, inasmuch as such a shareholder receives his fixed dividend without any diminution on amount of Dominion taxes, he is not entitled to share in any Dominion Income Tax relief accorded to the company.

In *New Zealand and Australian Land Coy.* v. *Scottish Union and National Insurance Company* (Court of Session, Scotland, 1919), it was held that tax should be deducted from preference dividends at the full rate of tax, and not at the rate as reduced by virtue of Colonial Income Tax relief given to the company paying the dividend.

In *Scottish Union and National Insurance Co., Ltd.* v. *New Zealand and Australian Land Co., Ltd.* (House of Lords, 1920) the respondent company deducted, from a dividend on its preference stock, income tax at the full British rate, notwithstanding that the Revenue had granted it relief in respect of taxes paid in Australia and New Zealand. The appellant company was a holder of certain preference stock and contended that tax should not be deducted at the full rate. The House of Lords (reversing a Court of Chancery decision in *Rover* v. *South African Breweries, Ltd.*, 1918) decided in favour of the respondent company.

DOUBTFUL DEBTS.

See under DEBTS.

DRAINAGE.

From the annual value of houses or lands (as estimated for purpose of assessment under Schedule A, *i.e.* property tax) a deduction is allowed of the amount charged by any public rate or assessment in respect of drainage, fencing or embanking. (*I.T.A.*, 1918, *Schedule A, No. V, Rule* 1 (*f*).) This allowance extends only to a public rate or assessment.

No deduction is allowed in respect of rent-charges under the Drainage Advances Acts, but tax may be deducted from these payments at the rate of one-third of the rate of income tax in force while the payments accrued. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 6.)

DRAINS AND LEVELS.

These concerns are assessable on the profits of the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 3.) Duty is chargeable on the full amount of the profits without any deduction for rent and similar payments, from which tax should be deducted by the lessees of the drains. The assessment should be made in one sum at the head office of the concern.

The provisions of Schedule D apply so far as they are not inconsistent with those of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.)

Sewers vested in a local authority are exempt from tax. (*F.A.*, 1921, *s.* 34.) (See under SEWERS.)

DRAWINGS.

The drawings of a proprietor or partner of a business should not be charged as a deduction, whether they are described as drawings, salaries, wages or interest on capital.

DWELLING-HOUSES.

Dwelling-houses are charged under the rules of Schedule A, as is shown under HOUSES. When a trader uses a part of his dwelling for business purposes he may charge a portion of his rent (not usually exceeding two-thirds) as a trade expense, according as the facts would justify. (*I.T.A.*, 1918, *Schedule D, Cases I and II*, 3 (*c*) *and* 13.) See under BUSINESS PREMISES.

EARNED INCOME.

From 1907 to 1920 the Finance Acts differentiated between certain earned income and other income, by directing a lower rate to be charged in respect of the former.

"Earned income" includes the profits immediately derived from the carrying on or exercise of a trade, manufacture, profession, vocation or employment (including farming) by the person making the claim; also any pension (including Civil List pension), superannuation, or other allowance, deferred pay or compensation for loss of office given in respect of the past services of the person making the claim or of the husband or parent of that person, whether the husband or parent contributed thereto or not; also

EARNED INCOME—(*contd.*)
any income from property which is attached to and forms part of the emoluments of any office or employment of profit held by the individual, *e.g.* the rent of glebe lands. An earned rate is not allowed on property except where the proceeds therefrom are received as part of the emoluments of an employment, neither may it be claimed in respect of dividends paid by a company.

The definition of earned income set out above was extended in 1918 to cover any pension, superannuation, or other allowance, deferred pay, or compensation for loss of office, given *in respect of the past services of any deceased person.* (*I.T.A.*, 1918, *s.* 14 (3).)

A partner is entitled to earned income relief only if he personally acts in the business. On his claim he should show his share of the firm's assessment, *i.e.* the amount which would fall to him if the profits were actually to equal the amount of the assessment. This is explained under PARTNER'S RETURNS, and specimen returns are given in Chapter X.

From 1920, earned income relief is granted by the deduction of one-tenth of the earned portion of the income from what would otherwise be the amount of the assessment. It is provided, however, that the deduction must not in the case of any individual exceed one-tenth of £2,000; *i.e.* the maximum deduction for any individual is £200. (See examples in Chapter V.)

The Finance Act 1920, *s.* 18, also provides that where the taxpayer's total income includes earned income of his wife, the personal allowance of £225 may be increased by nine-tenths of the first £50 of his wife's earned income.

From 1920, these reliefs are granted automatically by the Inspector of Taxes on the receipt of a statement of total income *from all sources.*

When interest (or any other annual charge) is paid out of earned income, tax on the amount thereof will be charged at the full rate. Thus, if from an earned income of £1,100 a man pays interest £100, only £1,000 will be subject to earned income relief. In paying the interest he will deduct tax therefrom at the full rate and so recoup himself.

When earned income relief was due, but for some reason was not allowed, the person entitled thereto may claim repayment of

EARNED INCOME—(*contd.*)

tax over-paid, by lodging an application with an inspector of taxes within three years of the end of the financial year concerned. (See under REPAYMENT.)

In *Fry* v. *Shiels' Trustees* (1914), certain trustees appointed under a will carried on a business for the benefit of beneficiaries who were minors. It was held that the business was the property of the trustees and that the profits were not earned by the beneficiaries. The earned income relief was refused.

Lord Skerrington (after reading[1] Finance Act, 1907, s. 19 (1)) : "It is, I think, obvious that what is contemplated in this sub-section is the case of an individual who has a beneficial right to an income the total of which from all sources does not exceed £2,000. Plainly, the words 'individual' and 'income' as used in the sub-section do not include the case of a trustee or of a body of trustees legally vested in a trust estate which produces an income not exceeding £2,000. . . . There is no justification for the suggestion that the business and its income are the property of the Misses Shiels or that they carry on the business as partners. On the contrary, it is certain that the business is the property of the trustees. . . . I am of opinion that the appeal ought to be sustained upon the ground that the business in question belongs to the testamentary trustees and not to the Misses Shiels, and that the former and not the latter are the persons who earned the profits. A more difficult question would have arisen if the trust had really been one of the simple character contended for by the respondents. On that assumption, the Misses Shiels would have been the beneficial owners of the business and of the profits derived therefrom ; and it might have been arguable that the testamentary trustees, who were the legal owners of the business and who appointed its manager, must be deemed to have acted as agents for the Misses Shiels in the matter of earning the profits. Even in such a case as I have figured, it would, I think, have been difficult to demonstrate that the profits of the business fell within the definition of 'earned income' contained in Section 14 of the Act of 1918." Lord Johnston (referring to the object of the earned income relief) : "That object I conceive to be to relieve a man who by

[1] This is the enactment under which earned income relief was first given.

EARNED INCOME—(*contd.*)

his own exertions and his own daily work makes an income." Lord President : "Unquestionably, the profits of this business were, in the sense of the statute, earned profits, but they were earned by individuals to whom they did not belong and they belonged to individuals who certainly did not earn them."

See under RATES OF TAX.

EASTER OFFERINGS.

See under CLERGYMEN.

EDUCATIONAL ESTABLISHMENTS.

Exemption from tax under Schedule A is granted to certain educational establishments. (See under CHARITIES.)

The deduction in respect of children under 16 is also granted to children over 16 who are receiving full time instruction at any university, college, school or other educational establishment. This allowance applies to adopted children, but not to children having an income exceeding £40 a year in their own right (income from scholarships or similar educational endowments not being regarded as income for this purpose).

Income arising from a scholarship held by a person receiving full-time instruction at an educational establishment is exempt from income tax and super-tax. (See under Children.)

EMBANKMENTS.

From the annual value of houses or lands (as estimated for purposes of assessment under Schedule A, *i.e.* for property tax) a deduction is allowed of the amount charged by any public rate or assessment in respect of embanking. (*I.T.A.*, 1918, *Schedule A, No. V, Rule* 1 (*f*).) A similar allowance is made of the average amount expended by the landlord or owner over the previous twenty-one years, in the making and repairing of sea-walls or other embankments necessary for the preservation or protection of such lands against a sea or tidal river. (*I.T.A.*, 1918, *Schedule A, No.* V, *Rule* 1 (*g*).) It has been held that the last-mentioned allowance refers only to expenditure incurred in preserving lands in their existing state. (*Hesketh* v. *Bray*, 1888.)

EMBEZZLEMENT.

If a loss by embezzlement can be said to be necessarily incurred in carrying on the trade it is allowable as a deduction from profits. In an ordinary case it springs directly from the necessity of deputing certain duties to an employee, and should therefore be allowed.

EMOLUMENTS.

The emoluments of any office are assessable to income tax, whether they are payable by the Crown or by the subject. The general rule of Schedule E is that the remuneration is assessable on the current year's earnings, but the perquisites of an office (including fees or other emoluments) may be charged on the profits of the preceding year or on the average profits of the three preceding years. The distinction between perquisites and other remuneration assessable on the actual year's earnings is dealt with under PERQUISITES. (*I.T.A.*, 1918, *Schedule E*, *Rule* 4.)

EMPLOYEES.

The Finance Act, 1922, *s.* 18, provides that all profits or gains arising or accruing to any person from an office, employment or pension are to be chargeable under Schedule E, notwithstanding that they may hitherto have been chargeable under Schedule D.

This enactment is consequent on the decision in the House of Lords (*Great Western Railway Company* v. *Bater*, 1922) to the effect that certain employments under companies were assessable under Schedule D and not under Schedule E as previously had been the assumption of the Revenue. This decision would, but for the enactment in question, result in the extension of the average system to employees who had not been assessed on average. The Chancellor of the Exchequer thereupon decided to carry out the recommendations of the Royal Commission on Income Tax that the average system should no longer apply to income arising from employments.

It has been stated that in practice from the year 1922/23 all fixed income from employment will be assessed on the actual income of the current year and that fluctuating income will be assessed according to the income of the previous year.

The Finance Act, 1922, has incidental provisions providing that

EMPLOYEES—(*contd.*)

the quarterly assessments shall be left undisturbed and annulling the application of the above mentioned decision of the House of Lords to assessments for years prior to 1922/23.

An employee is assessable where he performs his duties, as it has been held that the enactment that persons assessed for offices shall be deemed to exercise them at the head office of the department (*I.T.A.*, 1918, *Schedule E, Rule* 18 (2)) refers only to Crown servants. (*Pickles* v. *Foster*, 1913.) Assessments may also be made at the place of residence.

See also under Salaries Paid Free of Tax, and under Lump Sum Payment.

EMPLOYEE'S RESIDENCE.

No question arises when the employee pays rent for his residence. For the law in other circumstances see under Rent-Free Residence.

When an employer provides his employee with a residence as part of his remuneration or otherwise for the purposes of his business, he may charge the expense thereof as a trade expense. (*Russell* v. *Town & County Bank*, 1888.) The provision restricting the deduction of the full rent of business premises on which he himself resides does not extend to circumstances such as these.

EMPLOYERS' LIABILITY ACTS.

See under Accidents.

EMPTY PROPERTY.

The only section granting exemption in respect of empty property is that enacting that duty shall not be levied under Schedule A (property tax) on any house which is unoccupied, for the year or part of a year during which it is unoccupied. Duty for that period is required to be discharged by the commissioners on due proof of the facts. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 4.) It is usual to arrange with the collector for the correct allowance to be made. There is no relief for enclosed lands which are unoccupied. Where there is no tenant the owner is regarded as occupier, and tax must be paid under both Schedule A and Schedule B.

EMPTY PROPERTY—(*contd.*)

Where lands or houses are unoccupied and tax is due thereon in respect of an earlier period, the collector may distrain on any subsequent tenant who refuses to make good the arrears. The only exception is in the case of arrears due from a person who was owner and legal occupier also. Any arrears of tax paid by a tenant may be deducted from any subsequent payment of rent to his landlord. (*I.T.A.*, 1918, *Schedule A*, *No. VIII*, *Rule* 7.)

The allowance referred to under this heading does not extend to an empty tenement, flat or apartment, except where such tenement, flat or apartment, has been separately assessed to property tax. See under TENEMENTS as to the circumstances in which this may be done.

To be regarded as empty the premises in question must be unfurnished. (*Smith* v. *Dauney*, 1904—*House Duty Case.*) The presence of a caretaker does not invalidate a claim which might otherwise be made, so long as he resides on the premises rent-free in order to protect them and furnishes a few rooms only.

ENGINE DRIVERS.

Engine drivers are not regarded as holding " an office or employment of profit," and were formerly assessable under Schedule D (Case II) on their average earnings. (*Attorney-General* v. *Lancashire and Yorkshire Railway Co.*, 1864.) See under QUARTERLY ASSESSMENTS, however.

ENGINES.

An engine is machinery falling within the terms of the allowance for wear and tear. (See under DEPRECIATION.)

Engines and similar machines which are fixtures within a building and are let therewith, are liable to be included in the assessment to property tax. In *Tyne Boiler Works Co.* v. *Tynemouth*, 1886, Lord Esher remarked as follows : " Things which are there for the purpose of making and which do make the premises fit as premises for the particular purposes for which they are used, are to be taken into account in ascertaining the rateable value of such premises." (See under ANNUAL VALUE for a fuller note on this subject.)

ENTRANCE FEES.

A fee which is payable on entering a profession or calling is not allowed as a deduction from profits. Such expenditure is not incurred in exercising the profession or calling, but in purchasing the right to enter therein. It is similar, in this regard, to the registration fees of a company. An annual subscription which is required from stock-brokers and jobbers, lawyers, and other professional men may be charged as an expense in each year's accounts.

EQUITY OF LEASE.

A person who purchases what is called the equity of a lease is regarded as the owner of the property concerned. In point of fact he purchases the property and makes himself responsible for the charges thereon. He must suffer tax on the full assessment under Schedule A (property tax), but may deduct tax from any ground rent or interest paid, as stated under ANNUAL PAYMENT. (See also under BUILDING SOCIETIES when such an organization is concerned.)

On any claim to the statutory allowances and deductions, the claimant should include the nett assessment on the property, and should show interest, ground rent, and other deduction in the space provided at the foot of the form. No deduction is allowed in respect of the repayment of loans.

ERRORS IN ASSESSMENTS.

See under ASSESSMENTS.

EXCEPTIONAL DEPRECIATION AND OBSOLESCENCE.

Repayment of Tax on Munitions Levy or Excess Profits Duty Allowances for Exceptional Depreciation or Obsolescence.

Provision is made for the repayment of tax on the amount of any allowances made as indicated in the heading. The effect is to reduce the assessment for the income tax year which includes the end of the accounting period in question, by the amount of the allowance. (*I.T.A.*, 1918, *s.* 53.) See under REPAYMENT.

EXCESS PROFITS DUTY.

Income Tax Assessments and Excess Profits Duty (Paid or Repaid) and Munitions Levies.

The amount of excess profits duty paid must for income tax purposes be allowed as an expense of the year which included

EXCESS PROFITS DUTY—(*contd.*)

the end of the accounting period in respect of which the payment was made. Any amount repaid must be treated as profit for the year in which the repayment is received.

If the excess profits duty is determined too late for the proper allowance to be made against income tax, the amount of the allowance so lost is required to be made against the excess profits duty or to be repaid. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 4 (3).)

The payment of excess profits duty may not be regarded as a "specific cause of loss" under the *Income Tax Act*, 1918, *Miscellaneous, Rule No.* 3.

Munitions Levies may be substituted for *Excess Profits Duty* in the above notes, save that income tax allowances are always to be by repayment. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 4 (4).)

EX-DIVIDEND.

See under CUM-DIVIDEND.

EXECUTORS.

See under DEATH.

EXEMPTION.

All individuals, whatever the amount of their total income, are allowed exemption on a certain part of their "assessable income." In the case of bachelors, spinsters, widows and widowers, exemption extends to the first £135 of assessable income, in the case of married persons to the first £225. These amounts may be still further increased by the various other personal allowances which may be claimed in respect of wife's earned income, children, and dependent relatives. The life assurance allowance may also serve to discharge or secure relief from duty.

See under ASSESSABLE INCOME, and ALLOWANCES AND DEDUCTIONS.

In *The Duke of Argyll* v. *The Commissioners of Inland Revenue* (1913) the Duke contended that no tax was chargeable on an annuity granted to the Princess Louise by a special Act of Parliament in 1871. Scrutton, J., remarked that the question was whether

EXEMPTION—(*contd.*)

or not the Income Tax Act of 1842 was stronger than the Special Act of 1871, and he referred to the Rule that where two Acts are in contradiction the later Act must prevail. "The Attorney-General agrees that, if the later Act had been 'free from income tax,' it would have by express terms repealed the earlier Act. Now it does not say 'free of income tax,' but it says 'free of all taxes' and, if I follow the argument of the Attorney-General, it is that there is no inconsistency in reading 'free of all taxes' as 'free of all taxes except one.' It appears to me that 'free of all taxes' is inconsistent with an Act saying 'You shall not be free of one tax.' 'All taxes' is all taxes, not all taxes minus one, and therefore it appears to me that the second Act is inconsistent with the first Act as far as regards the particular annuity. If this had been merely letters patent from Her Majesty with no Parliamentary authority, I do not think the letters patent would have prevailed over the statute, but this is a statute expressly authorizing a particular letter patent, which is the same as if the letter patent were written into the statute."

For particulars of exemptions allowed on grounds other than of smallness of income, see under ALMSHOUSES; ASYLUMS; CHARITIES; EMPTY PROPERTY; FOREIGN MINISTER; FRIENDLY SOCIETIES; HOSPITALS; INDUSTRIAL AND PROVIDENT SOCIETIES; LITERARY INSTITUTIONS; SAVINGS BANKS; SCHOLARSHIPS; SCHOOLS; SCIENTIFIC INSTITUTIONS; SEWERS; SUPERANNUATION SCHEMES; TRADE UNIONS and UNEMPLOYMENT SCHEMES.

EXHAUSTION OF CAPITAL.

It is a fundamental principle of the income tax laws that all expenses on account of capital shall be ignored in estimating the profits liable to assessment. This rule is severe on those concerns whose business is of such a nature that large sums must be written off the profits to make good those capital losses which are rendered inevitable by the necessary circumstances of the concerns in question. The legislature has recognized this hardship in one particular case, for since 1878 a just allowance in respect of the diminished value of machinery and plant by reason of wear and tear has been required to be made. (See under DEPRECIATION.) In late years

EXHAUSTION OF CAPITAL—(*contd.*)

there has been agitation for the extension of this allowance to the case of assets other than machinery and plant. The reasons given against the alteration of the law in this regard are that the principle of the disallowance of capital charges is bound up with the whole system of income tax as evolved in acts and cases during seventy years, and that the concession asked for would entail a large loss to the revenue, and necessitate a higher rate all round.

It may be of advantage to state the enactments on which the rule is based, and to give the judicial reading thereof. " In estimating the balance of profits and gains chargeable under Schedule D, for the purpose of assessing duty thereon, no sum shall be set off or deducted from such profits and gains . . . on account of any capital withdrawn therefrom, nor for any sum employed or intended to be employed as capital in such trade "—so runs Rule 3 of Cases I and II of Schedule D. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*f*).) The fact that a trader is often obliged to make a deduction from his profits to meet a diminution of his capital, was fully appreciated by the Lord President in *Coltness Iron Co.* v. *Black* (1881). " In ascertaining the amount of nett profits for the purpose of division (between the shareholders), the state of the capital account necessarily affects the balance sheet. If any part of the capital is lost, or if, from the nature of the business, the capital employed can never be recovered or restored, that is an element of primary importance in fixing the financial condition of the company and the true amount of its nett earnings. *But the statute refuses to take an ordinary balance sheet, or the nett profits thereby ascertained, as the measure of the assessment, and requires the full balance of profits, without allowing any deduction except for working expenses, and without regard to the state of the capital account or to the amount of capital employed in the concern, or sunk or exhausted, or withdrawn.*" From among numerous dicta one other may be selected. " Diminishing capital or exhausted capital cannot be brought into your profits and gains when making out your accounts, either under Schedule D or Schedule A." (*Gillatt and Watts* v. *Colquhoun*, 1884.)

The rule of Schedule A, No. III (for concerns in the nature of trade which require the use of lands, *e.g.* mines, quarries, etc.) is

EXHAUSTION OF CAPITAL—(*contd.*)

as clear. " The annual value of all properties hereinafter mentioned shall be understood to be the *full amount . . . of the profits received* therefrom within the respective times herein limited." The dicta quoted above may be understood, therefore, to include the case of mines, quarries, etc., assessable under Schedule A, No. III, but according to the rules of Schedule D (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8), as well as ordinary trading concerns. Lord Blackburn's comments to this effect in *Coltness Iron Co.* v. *Black* (1881), will first be given : " The duties are to be assessed according to the rules of Schedule D . . . and any rule expressed as to the mode of computing the balance of the profits and gains, *which is not inconsistent with Schedule A, No. III*, may perhaps be made in future to apply to the mode of computing the annual profits of properties chargeable under No. III." Also the Master of the Rolls' dictum in *Alianza Co., Ltd.* v. *Bell* (1904) : " The contention is that the sum deducted represents only the cost of the raw material consumed in the year and stored in the ground until consumed. . . . The point has been frequently discussed in other cases where capital has been embarked in a wasting subject-matter, such as a coal-mine, and the same argument has been advanced and overruled. I think those cases establish that on this particular point the provisions of Schedule D are no more favourable to the appellants than those of Schedule A." In subsequent comments, therefore, it will be unnecessary to distinguish between the rules of Schedule A and those of Schedule D.

We turn now to a specific case of the exhaustion of capital, that of the purchase price of an *annuity*. In this matter further comments by the Lord President in the *Coltness* case are very clear : " Nor does it make any difference on the incidence of the tax that the income has been created by the sinking of capital, as in the case of the purchase of annuities, instead of being merely the natural annual product of an invested sum which remains unconsumed and undiminished by the consumption of the income which it yields. . . . When he purchases an annuity he converts his whole estate into an income which represents no capital but that which he has paid away or exhausted to purchase the income. But the statute

EXHAUSTION OF CAPITAL—*(contd.)*

takes no heed of his exhausted capital, and makes no deduction from the actual amount of his income on that account."

The second specific case of exhausted capital to be considered is that of the *exhaustion of lands*. Three forms of this exhaustion will be mentioned, viz., the cases of cemeteries, of collieries, and of other land containing mineral deposits. *The business of a cemetery company* is to sell its land for a particular purpose and in small portions. The normal method of estimating profits arising in such a business would be to deduct from the proceeds the cost of the land sold and the expenses of management. The Income Tax Acts do not allow this, as will be understood from the preceding explanations. The following extracts from judgments state this in detail. " It may be quite right that as the years have been going on, and the land which was the source of profit of this company was getting gradually exhausted, as a mercantile concern they should be applying portions of the money which they are receiving for the exclusive use of that ground to the redemption of their capital. Their original stock of ground . . . was gradually disappearing, and they were eating into what may be called their capital year by year. . . . The balance sheet is quite in accordance with what a trader in such circumstances would do. But it is a very different question whether . . . the sums which are received and which are proposed to be applied to the redemption of capital can be properly regarded as profits under the income tax acts. Upon that question the case of the Coltness Iron Company is perfectly distinct, and has settled the point we are now dealing with," *i.e.* settled that no allowance may be made for the exhaustion of capital. (*Edinburgh Southern Cemetery Co.* v. *Kinmont*, 1889.) In a later case the same question was argued, but with the additional point that the cemetery company should not regard as income so much of its receipts as were in respect of obligations undertaken to maintain certain lairs perpetually. (*Paisley Cemetery Co.* v. *Reith*, 1898.) In the briefest of judgments the court refused the plea. Nevertheless, on this additional point the decision has been reversed by the English Court in *London Cemetery Co.* v. *Barnes*, 1917. The Judge apparently agreed with the decision in *Edinburgh Southern Cemetery* v. *Kinmont* (above), but he would not apply it to a case in which

EXHAUSTION OF CAPITAL—(*contd.*)

sums were received in respect of perpetual obligations to render services. But the main principle remains, that the law allows no deduction from profits in respect of the exhaustion of cemetery lands. Next, *the business of a colliery company* is to purchase land, with the minerals underneath, and to sell those minerals after bringing them to the surface. The *Coltness* case referred to above resulted from the company's application for an allowance in respect of the cost of sinking new pits, as the old ones became exhausted. In an earlier case such an allowance was permitted, but in the House of Lords it was now finally refused. The law was too clear for any deduction to be claimed directly in respect of the exhaustion of the coal beds. Lord Penzance showed further that the acts permitted the deduction of the cost of working the mine but not the cost of making it. (See under MINES as to level tunnels, etc.) *Other mineral grounds*, including those situated abroad and therefore assessable under Schedule D, fall under the same rule, as elucidated in *Alianza Co.* v. *Bell*, 1906. In this case the company extracted nitrates from land in Chili, but no allowance was made in respect of the exhaustion of their grounds. Lord Justice Stirling stated that "a question has arisen whether in making such an assessment (under Schedule D, Case I) there ought to be deducted from the admitted receipts of the company any sum in respect of the cost price of the caliche (raw material) worked up by the company in the course of each year. The company claims to be entitled so to do on the ground that such cost is an expense 'wholly and exclusively laid out and expended for the purposes of their trade' within the meaning of the first rule applicable to the first and second cases under Schedule D. *Prima facie* the claim appears to be reasonable, for such an expense ought certainly to be deducted by a prudent trader from his gross receipts before he arrives at the amount of his profits for any particular period; but the answer on behalf of the Crown is that, however this may be, the deduction in question is forbidden by the terms of the Income Tax Act itself." The case nearer the border line is probably that in which rights in woodlands are acquired by timber companies. A fairly lengthy report of an important case is given under TIMBER COMPANY.

EXHAUSTION OF CAPITAL—(*contd.*)

As an illustration of the application of the principle referred to in this note to other cases of the exhaustion of capital, the case of *Gillatt and Watts* v. *Colquhoun*, 1884, may be cited. Here the appellants claimed to deduct from each year's trade profits that proportion of the cost of the lease of the business premises which represented the value exhausted in that year. The claim was disallowed. See, however, under DEPRECIATION OF BUILDINGS.

EXPENSES.

The expenses which may be charged against the profits of trades and professions are dealt with under DEDUCTIONS. The following note will deal with expenses which are chargeable against remuneration earned in the case of an employment.

Employments are divided into two classes, one of which falls under Schedule D and the other under Schedule E. The latter includes employment under a company, society or body of persons, and under the Crown or a public body. The former includes all other employment. (See also under QUARTERLY ASSESSMENTS.)

Under Schedule D an assessment must be made on the " balance of the profits " which accrue. The expenses which may be deducted in striking the balance must be " wholly or exclusively laid out for the purposes " of the employment, and must not include any expenses personal to the individual employed. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*a*), (*b*).) Thus, a man requires to travel from his residence to his office, but he does not do this in the course of business, and his fare is not expended wholly or exclusively for the purposes of that business. It is not allowable as a deduction, therefor.

Under Schedule E the nature of the employment more often requires certain expenditure to be incurred by the person employed. The rule is that such expenses may be deducted as are incurred " wholly, exclusively, and necessarily " in the performance of the office or employment. (*I.T.A.*, 1918, *Schedule E, Rules* 9 *and* 10.) The case of CLERGYMEN AND MINISTERS is dealt with under that heading. Allowances to other persons should include the rent of an office required to be kept and paid for by the person assessed,

EXPENSES—(*contd.*)

also the wages of an assistant or clerk (not of a substitute or *locum tenens*). Other expenses are allowable according to the nature of the employment, *e.g.* medicine supplied by a medical officer (without payment), a veterinary surgeon's travelling expenses, etc. It is sometimes more convenient for such professional men as these to charge their expenses in the accounts of their general practice, in which case the salary of the office will be assessable in full. Certain expenses are not allowable, viz., the cost of travelling from home or elsewhere to the place where the duties of the employment are to be performed (*Cook* v. *Knott*, 1887; *Revell* v. *Directors of Elworthy & Co., Ltd.*, 1890): the wages of a domestic servant engaged at home while the wife exercises her employment (*Bowers* v. *Harding*, 1891), also the cost of the maintenance (including food) of the person assessed or of his family.

EXPLORATION.

The cost of exploration may be charged in a company's accounts only if it is a part of the company's business to conduct that exploration. Thus, if a mining company explores new territories for the purpose of investigating mining potentialities in the locality concerned, the expense is not allowable. On the other hand, a company whose business it is to develop a tract of land would be entitled to charge the cost of exploration incidental to that development. The mention, in its articles of association, of a company's right to explore is not conclusive, as companies often take to themselves powers which are not intended to be exercised in the course of trading, but only as extraordinary features of its operations. Two questions may be asked in cases of doubt: (1) Were the exploration expenses incurred in earning the profits assessed? If so, they are allowable as deductions from those profits. (2) If the knowledge obtained through the exploration were to result in the company's selling its rights in the land explored, would there be liability to income tax on any surplus realized on that sale? If not, the exploration charges may not be deducted.

EXTENSION OF BUSINESS.

Expenses incurred for purposes of extending a business cannot be regarded as being connected with the profits of the year in which

EXTENSION OF BUSINESS—(*contd.*)

they are incurred. For purposes of accountancy, even, they would be regarded as capital charges, however quickly they might be written off out of profits. "Expenditure which is made in one year must, if it is to be deducted for purposes of income tax, have reference to profits made during that year." (Lord Shand in *Royal Insurance Co.* v. *Watson*, 1896.) Similarly, a claim to charge against profits the expenditure incurred by a company in removing into larger premises, was refused on the express ground that the expenditure was not "an expense incurred for the year in which the thing is done, but for the general interest of the business." (Lord McLaren in *Granite Supply Association, Ltd.* v. *Kitton*, 1905.) (See, however, *dicta* on page 387, as to revenue charges not bearing fruit in the year.)

On the other hand, it is obviously the aim of every trader to extend his business, and it is impossible to ear-mark his expenses by regarding some of them as being incurred for the purpose of sustaining the business and others for the purpose of extending it. A practical rule is as follows. Any expenditure definitely incurred with a view to the extension of the business (*e.g.* expenses of opening a new branch, etc.) must be disallowed as a charge against profits. Other expenses incurred in normal methods of pushing the trade may properly be set against the profits of the year in which they are incurred. It may assist the reader to consult the note under ADVERTISEMENTS.

EXTENSION OF PREMISES.

Expenses incurred in extending business premises undoubtedly fall within the description "capital employed in the improvement of premises occupied for the purposes of such trade," and as such they may not be set against profits for income tax purposes. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*g*).) No expenses on account of capital may be deducted from profits. (See under CAPITAL.) The particular case of the extension of premises is similar to that explained in detail in the previous article.

FAIRS.

The profits which accrue from the rights of fairs are assessable under Schedule A, No. III, but according to the rules of Schedule D

FAIRS—(*contd.*)

(*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rules* 3 *and* 8) so far as they are not inconsistent with the rules of Schedule A. (Lord Blackburn in *Coltness Iron Co.* v. *Black*, 1881.) Duty is assessable on the amount of the profits of the year preceding the year of assessment. The owner of the rights should be assessed on the amount received without a deduction being allowed in respect of losses in other concerns of a similar or dissimilar nature. (*In re Corporation of Birmingham*, 1875; *Attorney-General* v. *Scott*, 1873.)

FAMILY EXPENSES.

No charge may be made in a trader's accounts in respect of the expense of the maintenance of his family. (*I.T.A.*, 1918, *Schedule D*, *Cases I and II*, *Rule* 3 (*b*).) Goods withdrawn from his business for domestic consumption should be allowed for in preparing his income tax return. The charges which may be made in respect of business premises on which he and his family reside, are dealt with under BUSINESS PREMISES. Where a trader's sons or other relatives (other than his wife) are employed by him in the business and receive board and lodging as part remuneration, he may charge the estimated cost thereof in his accounts for income tax purposes.

FARMERS.

The profits of a farmer are assessable under Schedule B, and from 1896 to 1914 such profits were estimated at *a third* of the rent for which the lands are worth to be let at rack-rent. (*F.A.*, 1896, *s.* 26.) (See under RACK-RENT.) From 1915 the profits were assumed to equal the *full amount* of such rent. From 1918 the basis was *double* the rent. From 1922 the basis is the *full amount* of the rent.

Included with the assessment on a farm are the farm buildings and the farmhouse, if they are occupied with the land for the purpose of farming it, and rented under the same demise as the land. (*I.T.A.*, 1918, *Schedule B.*) The assessment should include the value of the sporting rights let with the farm. (*Revell* v. *Scott*, 1895.)

The Schedule B valuation according to the full rental value does not apply in the case of a person proving that he is not occupying

FARMERS—(*contd.*)

lands " for the purposes of husbandry only or mainly for those purposes." In this case the basis is one-third the annual value. Thus a householder assessed under Schedule B in respect of the occupation of a large garden (page 288) will be assessed on one third the full rental value. Similarly the owners of a golf course (page 292) are not affected by the increased valuation.

While the farmer may always be assessed on the above basis if he so pleases, he has the option of being charged under Schedule D (which is the schedule applicable to trade profits, etc.). In this connection the word " farmer " includes any person occupying lands for the purposes of husbandry only, provided that he signifies his desire to be assessed under Schedule D (by written notice to the inspector of taxes) not later than 5th June in the year of assessment in question. (*I.T.A.*, 1918, *Schedule B, Rule* 5.) This notice must be given each year in which such an assessment is desired, and the farmer is usually required to submit an account for each of the three preceding years, on the average profit of which years the assessment under Schedule D will be made. A suitable form of account is given at the conclusion of this note.

An adjustment of the assessment is also possible at the end of the year, provided that the lands are occupied for the purposes of husbandry only, and that the profits fall short of the full annual value of the farm (*i.e.*, the amount of the Schedule B assessment). Such an adjustment must be claimed immediately after the expiration of the financial year. If the duty has been paid repayment may be claimed. (*I.T.A.*, 1918, *Schedule B, Rule* 6.) This adjustment may not be allowed when the farmer is already assessed under the rules of Schedule D.

A further adjustment may be made if the year's farming account shows an absolute loss, and this applies on whatever basis the assessment has been made. A person sustaining loss in the occupation of lands for the purposes of husbandry only, should give notice in writing to the inspector of taxes within six months (in practice extended to twelve months) after the year of assessment. On due proof the amount paid will be returned. The farmer may further claim repayment of tax on the amount of the loss if he has paid tax to cover it on other sources of income. (*I.T.A.*, 1918, *s.* 34.)

Dr, *ACCOUNT FOR THE YEAR ENDING*

	£	s.	d.
VALUATION AT BEGINNING OF YEAR.			
Livestock, viz.—			
No. Working horses			
Dairy cows			
Ewe flock			
Other horses			
,, cattle			
,, sheep			
Pigs			
Poultry			
Any other livestock			
Implements, machinery and loose tools			
Hay, straw, corn, cake, seeds, feeding stuffs, roots, potatoes (other than growing crops), manures, fuel, etc., on hand			
Tillages, unexhausted manures and growing crops			
ADD			
Farm debts owing *to* me at beginning of year			
DEDUCT			
Debts owing *by* me at beginning of year			
EXPENDITURE DURING YEAR			
Rent			
Hire of grazing, etc.			
Rates and taxes (excluding Income and Property Tax)			
Wages			
National Health and Employers' Liability Insurance			
Purchase of livestock, viz.—			
No. Working horses			
Dairy cows			
Ewe flock			
Other horses			
,, cattle			
,, sheep			
Pigs			
Poultry			
Any other livestock			
Purchase of feeding stuffs, including poultry food			
,, seeds			
,, manures, chalk, lime, soot, etc.			
,, implements, tools, etc.			
Hire of threshing machinery, steam ploughs or other machinery			
Hire of horses			
Fuel, etc., for machinery, boiling house, etc.			
Repairs to machinery, implement, tools, harness, etc.			
Blacksmith, veterinary surgeon and medicines			
Tradesmen's bills for repairs to house, buildings, fences, gates, etc., *not recoverable* from landlord			
Tradesmen's bills recoverable from landlord (*see* per contra)			
Insurance of buildings, stock, crops, etc.			
Valuers', Auditors' or Accountants' fees			
Other expenses, viz.—			
Total			

I hereby declare the above accounts and particulars are they disclose a complete account of my farming business for the

..... *Cr.*

	£	s.	d.
VALUATION AT END OF YEAR.			
Livestock, viz.—			
No. Working horses			
Dairy cows			
Ewe flock			
Other horses			
,, cattle			
,, sheep			
Pigs			
Poultry			
Any other livestock			
Implements, machinery and loose tools			
Hay, straw, corn, cake, seeds, feeding stuffs, roots, potatoes (other than growing crops), manures, fuel, etc., on hand			
Tillages, unexhausted manures and growing crops ..			
ADD			
Farm debts owing *to* me at end of year			
DEDUCT			
Debts owing *by* me at end of year			
RECEIPTS DURING YEAR.			
Sales of—			
Livestock, viz.—			
No. Working horses			
Dairy cows			
Ewe flock			
Other horses			
,, cattle			
,, sheep			
Pigs			
Poultry			
Any other livestock			
Corn			
Seeds			
Hay, straw, and roots			
Potatoes			
Fruit, vegetables, and other crops			
Wool, hides, etc.			
Poultry and eggs			
Milk, butter, and other dairy produce			
Manure, peat, wood, stones, etc.			
Machinery, implements, horse, or other labour hired out			
Taking in stock to keep, service fees, etc.			
Rent received for sporting rights, or game, rabbits, etc., sold			
Profit on dealings in horses, cattle, etc. (in respect of those not already included in farm purchases or sales)			
Sundry receipts, such as rents of land, cottages, etc., sublet, premiums of pupils, implements, tools, and old materials sold			
Sums recovered or recoverable from landlord (per contra)			
Sums recovered or recoverable under insurance contracts			
Value of produce, etc., as per Schedule No. 1 overleaf ..			
Total			

true and correct to the best of my knowledge and belief, and that period above stated.

Dated.....

Signed.....

FARMERS—(*contd.*)

Thus let it be assumed that his rent is £125 and his assessment £250, also that he makes a loss of £60 during the year of assessment. Supposing he is single and has no other income, he will have paid tax on £90 (£225 assessable income less £135 personal allowance). Because he has made no profit he may reclaim tax paid on this £90. (*I.T.A.*, 1918, *Schedule B, Rule* 6.) But a farmer (married) who owns a farm and is assessed at £400 gross therefor (say, £320 nett after the deductions described under LANDS), will have paid tax on £320, Schedule A, and £135, Schedule B (£400 less earned income relief £40 and marriage allowance £225). If he has made no profit as a farmer, he may claim repayment of tax on £135 paid under Schedule B. Supposing he has made a loss of £100, he may also claim repayment of tax on £400 (out of the tax on £320 paid under Schedule A). Further, because the personal allowance of £225 to which he is entitled now exceeds his total income (Schedule A, £220 ; Schedule B, nil) he may claim repayment of all the tax he has paid. In the end he will have suffered no tax, but when such a claim is made the farmer must give particulars of his income from all sources, and show that he has paid tax on all of it. Other examples are given in Chapter IV, including an illustration of a claim to the repayment of tax deducted from dividends.

When a farmer has elected to be assessed under Schedule D and subsequently claims repayment on a loss as shown above, he may not bring the amount of that loss into the average on which his assessment will be based in subsequent years. If he has been repaid on part of the loss he may only bring into the average that part on which he has not been repaid. (*I.T.A.*, 1918, *s.* 34.)

A farmer is allowed earned income relief (see under EARNED INCOME) under Schedule B or D, where his profits are immediately derived from his own exercise of the calling of farmer ; the earned income relief does not extend to Schedule A.

Though a farmer has the option of being taxed under Schedule B or Schedule D, profits not actually earned by the occupation of the farm must be charged under Schedule D. The case of *Malcolm* v. *Lockhart* (House of Lords, 1919) concerned a farmer who owned a stallion which he kept as part of the stock of the farm. During the breeding season he used the stallion for the service of

FARMERS—(*contd.*)

mares other than those on his own farm. It was held that the profits earned by the stallion were not profits in respect of the occupation of the farm as under Schedule B of the *I.T.A.*, 1918, but were chargeable under Schedule D.

Specimen assessments on farms are given in Chapter XI. See also under CATTLE DEALERS and MILK DEALERS as regards the increase of the assessment when it is not adequate, because more cattle are brought on the land than it will support.

See also under WOODLANDS.

On pages 246-247 is a farmer's account recommended by the authorities.

FARMHOUSES.

The annual value of a farmhouse is included in the Schedule B assessment, except (*a*) when it is occupied by the owner, or otherwise not rented, or (*b*) when it is not occupied for the purpose of farming the lands with which it is leased (*e.g.* when the occupier carries on a butcher's business therein). A farmhouse is charged to house duty on the lower scale if it is occupied by a tenant or farm servant and *bonâ fide* used for the purpose of husbandry only. (See Chapter XI for specimen assessments.)

FEES.

Fees are assessable as follows: wedding, funeral, and other fees received by a clergyman or minister—on the average profits of the past three years (where the assessment is under Schedule E—see under CLERGYMEN—it may be based on the fees of the current year or of the past year alternatively); directors' fees—on the amounts which accrue during the year of assessment; apprentice fees received by a professional man or trader—on the average receipts of the past three years, and to be included in his general assessment; occasional fees received at irregular intervals (see under CASUAL PROFITS)—on the amount received during the year of assessment, but in practice the previous year's figures are often taken as the basis. As regards a company see under the next heading.

FEES PAID BY AND TO A COMPANY.

Fees paid for services in the ordinary course of business may be charged against profits. Fees paid to trustees for debenture holders

FEES PAID BY AND TO A COMPANY—(*contd.*)

are not, strictly speaking, expenses of trading. They should probably be regarded as expenses incurred in order to obtain capital. In practice the deduction is usually allowed, unless the company deducts tax from all payments of such fees. (See under TRUSTEES.) The registration fees of a company may never be charged against its profits, these being preliminary expenses incurred before the company may trade. Transfer fees received by a company in consideration of the transfer of its own shares are assessable to income tax. The company might probably contend that such fees are not part of the profits of its trading, being moneys received in connection with its share capital. If this attitude were taken up, however, the commissioners would probably hold that the fees were annual profits even though not earned in the course of trading. No case is on record in which transfer fees have escaped taxation, except where they are covered by expenses.

FENCING.

From the annual value of houses or lands (as estimated for purposes of assessment under Schedule A, *i.e.* for assessment to property tax) a deduction is allowed in respect of the amount *charged by any public rate or assessment* in respect of fencing. (*I.T.A.*, 1918, *Schedule A, No. V, Rule* 1 (*f*).) See also under EMBANKMENT.

FERRIES.

The profits which accrue from ferries are assessable under Schedule A, No. III, but according to the rules of Schedule D (*I.T.A.*, 1918, *Schedule A, No. III, Rules* 3 *and* 8) ; so far as they are not inconsistent with the rules of Schedule A. (Lord Blackburn in *Coltness Iron Co.* v. *Black*, 1881.) Duty is assessable on the amount of the profits of the year preceding the year of assessment.

In *Pole-Carew* v. *Craddock* (1919), the proprietors of a ferry claimed exemption from tax by virtue of a special Act passed in their favour in the reign of George III. It was held that such an exemption was valid in spite of the imposition of a general tax on ferries by the rules referred to above.

FINANCIAL COMPANIES.

See under INVESTMENT COMPANIES.

FINES ON DEMISE OF PROPERTY.

Fines received in respect of any demise of property are assessable to income tax. The recipient should be charged on the amount received during the year preceding the year of assessment, but he may be allowed to deduct therefrom any part thereof which has been applied as productive capital on which a profit arises during the year for which the assessment is made. (*I.T.A.*, 1918, *Schedule A, No. II, Rule* 6.) It has been held that money placed on deposit at a bank for interest may not be regarded as being applied as productive capital, as that term suggests something more than a temporary deposit at a bank. (*Lord Mostyn* v. *London*, 1895.)

FIRE INSURANCE.

A deduction in respect of fire insurance premiums is allowed from a trader's profits. A premium which covers indemnification for the loss of profits owing to a fire may also be allowed, but sums received under the policy must in that case be regarded as taxable profits. No loss which is covered by an insurance policy may be charged against profits (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*k*)), unless any amount received under such a policy would be admitted to be a profit of trading and assessable to income tax.

FIRMS—HOW ASSESSED.

If a partner of any firm desired to claim exemption or abatement he was formerly allowed to be assessed separately. (*I.T.A.*, 1842, *s.* 100, *Schedule D, Cases I and II, Rule* 3.) This enactment was repealed, however, when the earned income rate was introduced in 1907. (*F.A.*, 1907, *s.* 30.) A firm is now required to be assessed in one sum. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 10.) Where any of the partners wishes to claim personal allowances or deductions, his proportion of the firm's assessment must be stated. It should be noted that a partner's income is reckoned as being his share of the firm's assessment and not his share of the profits of any particular year. (*I.T.A.*, 1918, *s.* 20.) The required division is made by answering the following question. If

FIRMS—HOW ASSESSED—(*contd.*)

the firm's profits in the year for which the assessment is made were actually to equal the amount of the assessment, what proportion of that amount would fall to the share of the particular partner in question? Thus, if the firm's profits were £2,000 in 1919, £3,000 in 1920, £2,200 in 1918, and £4,000 in 1921, the firm's assessment for the year commencing 5th April, 1921, would be £2,400 (the average profits of 1919, 1920, and 1921). If, during the year commencing 5th April, 1921, a certain partner takes one quarter of the profits, his "legal income" for that year will be £600 (one quarter of £2,400). The fact that the firm's profits are £4,000 in 1921 is immaterial, as also would be the fact that he took a different share of the profits prior to 1921.

The Act makes no provision for the case of a partner who has no means of telling on what *basis* the profits of the year of assessment will be divided. The difficulty must be got over by arrangement with the inspector of taxes, who will often agree to the basis of some past year or years being substituted for the unknown basis of the current year.

The rule given above holds good in all cases of partnership. Difficulties often arise, however, where the profits are not divided among the partners in simple proportion, but with reference to interest on capital or to particular salaries allotted to the partners. Such difficulties should usually disappear on the examination of the following example.

EXAMPLE.—A firm is required to show the "legal income" of its partners for 1922/23, and finds its circumstances to be as follows—

(*a*) The firm's profits were £6,000 in 1919, £5,000 in 1920, and £4,000 in 1921;

(*b*) These profits were divided amongst its three partners, A, B and C, as follows: 1919, A £4,020, B £1,980 (C is not yet a partner); 1920, A £2,490, B £1,260, C £1,250; 1921, A £2,010, B £1,010, C £980;

(*c*) In 1922 the profits will be divided as follows: partners' salaries, A £400, B £200, C £200; partners' interest on capital, A £80, B £50, C £40; of the balance of profits A will take one half,

FIRMS—HOW ASSESSED—(*contd.*)

B one quarter, and C one quarter ; before any of these payments are made, however, the firm will pay £100 interest on a loan taken out in 1922 ;

(*d*) It is subsequently ascertained that the firm's profits are £7,000 in 1922.

Firm's assessment (to be made in one sum)			£5,000
Interest payable	£100		
Partners' salaries : A £400, B £200, C £200 ..	800		
Interest on Capital : A £80, B £50, C £40 ..	170		
		1,070	
			3,930
To be divided in the proportion of ½, ¼ and ¼—			
A	1,965		
B	983		
C	982		
		3,930	

Summary : A's share—Salary ..	£400		
Interest ..	80		
Profits ..	1,965		
		£2,445	
B's share—Salary ..	£200		
Interest ..	50		
Profits ..	983		
		1,233	
C's share—Salary ..	£200		
Interest ..	40		
Profits ..	982		
		1,222	
Interest on loan ..		100	
Firm's assessment ..		£5,000	

It should be noted in the first place that the particulars given under headings (*b*) and (*d*) are immaterial, and must be ignored in making the division for income tax purposes in 1922. These particulars were shown above in order that this might be clearly stated. The assessment will be on the average profits of 1919, 1920, and 1921, irrespective of the fact that C entered the business in 1920 only.

If it is proved that A is married, has two children under 16 and pays £100 in life assurance premiums ; that B is single and pays £20 in life assurance premiums ; that C is married but childless ; the assessment will be as on next page.

FIRMS—HOW ASSESSED—(*contd.*)

			£100
Interest chargeable at the full rate			
A's income		£2,445	
Deduct Maximum Earned Income Relief ..	£200		
Personal Allowance	£225		
Children's Allowance	63		
		488	
		£1,957	
To be charged at half-rate		£225	
,, ,, at full rate		£1,732	
B's income		£1,233	
Deduct Earned Income Relief	£123		
Personal Allowance	135		
		258	
		£975	
To be Charged at half rate		£225	
,, ,, at full rate		750	
C's income		£1,222	
Deduct Earned Income Relief	£122		
Personal Allowance	225		
		347	
		£875	
To be charged at half rate		£225	
,, ,, at full rate		650	

The liability of the firm will be as follows—
Tax at full rate on £3,232
,, ,, half rate on £675
Less Life Assurance Allowance —(A) £100 at full rate (income over £2,000)
—(B) £20 at three-quarters rate (income between £1,000 and £2,000).

It may be stated that a sleeping-partner's profits may not be assessed at an earned income rate (see under EARNED INCOME); also that tax may be deducted from the loan interest £100 (see under INTEREST). Specimen adjustments of firms' accounts are given in Chapter II, and specimen returns of the firm and its partners are given in Chapter X. (See also under FIRMS' RETURNS.)

FIRMS' RETURNS.

A firm is served with the buff-coloured form No. 1 (or 1A). The assessable profits should be stated in the space headed "*Statement of Untaxed Income for Assessment under Schedule D*" (page 2)

FIRMS' RETURNS—(*contd.*)

and the firm's description or style, with the names and addresses of the partners should be inserted in the space provided on page 3. No claims to allowance for life insurance premiums, for exemption, personal allowances or relief in respect of earned income, or in respect of children, should be made by a firm. Any allowances under these headings should be claimed by the partner concerned on his own form. Where, however, any partner claims exemption, abatement, or to be allowed an earned income rate, the *firm* is required to give certain other information on page 3, viz., whether the partners are acting or sleeping partners, the amount of each partner's share of the assessable profits, the basis of the distribution of the assessable profits between the partners, and the amount of any charges (interest, annuities, etc.) on the *firm's profits.*

For details of the information required see the specimen returns, etc., in Chapters IX and X.

The information is required to be given by the partner first named in the deed of partnership or, where there is no deed, by the partner named singly or first named in the usual style of the firm. If the last-mentioned partner is not acting, the precedent acting partner resident in the United Kingdom becomes responsible. Where no such partner is resident in the United Kingdom, the duty devolves upon the firm's agent, manager, or factor resident in the United Kingdom. If the commissioners think fit they may require any partner to make the return hereby required from the precedent partner. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 10.) The signature required is that of the person making the return. He should not sign the firm's name, but should state in what capacity he signs the form in his own name (*e.g.* as precedent acting partner).

Each partner will also be served with a form No. 11 (or 11A). In the space headed "*Statement of Untaxed Income for Assessment under Schedule D*" he should insert particulars of any personal untaxed income not included in the firm's return, or should state "Nil" therein. If he wishes to claim an allowance in respect of life insurance premiums, wife, children, etc., he should complete the proper spaces. The claimant must show particulars of his income from all sources. His income as a partner in the firm will

FIRMS' RETURNS—(*contd.*)

be the amount stated against his name in the firm's return (*e.g.* A, £2,445).

The basis of the firm's assessment is shown under the previous heading.

FISHERIES.

The profits of a fishery are assessable under *Schedule A, No. III,* on the profits of the year preceding the year of assessment. Such rules of Schedule D (trades, professions, etc.) as are not inconsistent with Schedule A (Lord Blackburn in *Coltness Iron Co.* v. *Black,* 1881) are made to apply to fisheries. (*I.T.A.,* 1918, *Schedule A, No. III, Rules* 3 *and* 8.) The effect of this is that the assessment is made as on any other trade, save that the average system does not apply.

A tithe on fishing is assessable on the person receiving it. It should be charged, under *Schedule A, No. II, Rule* 2 (*I.T.A.,* 1918, *Schedule A, No. II, Rule* 2) on the average receipts of the three preceding years.

The profits accruing in respect of angling rights are assessable as in the case of fisheries.

See *Severn Fishery Board* v. *O'May* (under TRADING) as regards a Fishery Board.

FIXTURES.

The annual value of fixtures which are leased with the property to which they are attached, should be included in the assessment on that property under Schedule A (property tax). This principle has been upheld on several occasions in connection with rating appeals. In *Tyne Boiler Works Co.* v. *Tynemouth* (1886), Lord Esher laid down the following rule: "Things which are there for the purpose of making and which do make the premises fit as premises for the particular purposes for which they are used, are to be taken into account in ascertaining the rateable value of such premises." Thus, shop-fittings let with business premises, the bar-fittings let with a public-house, and engines let with a factory, are all assessable under Schedule A with the property in

FIXTURES—(*contd.*)

which they are fixed. (See under ANNUAL VALUE for a further note on this subject.)

Movable objects included with a lease are not assessable. This was decided in *Campbell* v. *Inland Revenue* (1879), in which case the Court held that an assessment under Schedule A in respect of stables, etc., should not include the annual value of coaches leased therewith.

A depreciation allowance may now be obtained, by concession, where the fixtures have been purchased and maintained out of capital.

FLATS.

Premises which are let to various tenants in tenements or flats are assessable in one sum except where they are so structurally divided that each tenement or flat might be separately owned.

As a general rule, tax is assessable on the occupier of the premises concerned, and every person having the use of such premises is declared to be the occupier. (*I.T.A.*, 1918, *Schedule A*, *No. VII*, *Rules* 1 *and* 2.) Any house or building let in different apartments or tenements and occupied by two or more persons severally is chargeable as one entire house, and the assessment is made on the landlord. (*I.T.A.*, 1918, *Schedule A*, *No. VII*, *Rule* 8 (*c*).) A house divided into distinct properties, however, and occupied by distinct owners, or their respective tenants, is chargeable on the occupiers, each in respect of his own portion. (*I.T.A.*, 1918, *Schedule A*, *No. VII*, *Rule* 12.) These are the enactments with regard to property tax. Their effect is as stated in the first paragraph when they are read in the light of certain house duty cases, from one of which a citation will now be made.

In *Yorkshire Fire and Life Insurance Co.* v. *Clayton*, 1881, the Master of the Rolls stated that " a practice has grown up of putting separate houses one above the other so that they are all super-imposed upon the same site or piece of ground. They are commonly called houses built in separate flats or stories ; but for all legal purposes and for all ordinary usage purposes they are separate houses. *Each house has a separate door, is separately let, is separately occupied, and has no connection or relation with those above it or below*

FLATS—(*contd.*)

it, except deriving support from the house instead of from the ground below." Where premises are so formed and so let as to come within the description contained in the words italicized, a separate assessment may be demanded for each flat. Where there is a common staircase, separate assessments may be made, provided that each flat is shut off by a single door, or that the whole flat has internal communication throughout without common passages, etc., being passed over.

The question of separate assessments is important, as a claim to an allowance in respect of empty flats can be allowed only when the whole of the premises which form the subject of an assessment are empty at the same time. When, in the case of tenement property, a house is assessed in one sum, the amount of the assessment will not, as a rule, be so large as the aggregate of the nominal rents, as it is probable that some rent will be lost without the whole house becoming empty.

Where the landlord supplies common service in the way of lifts, lighting, cleaning, etc., a deduction should be allowed in respect of these expenses, in estimating the assessable annual value. The amount allowed should be distributed over all the flats when they are separately assessed.

Inhabited house duty is assessable in respect of flats under rules similar to those described as being applicable to income tax. The essential consideration regarding separate assessments is that whole premises shall be structurally divided into tenements.

See also under LANDLORD and under TENANT respecting payment of duty by the tenant and the deduction thereof from rent.

FLOODS.

A special allowance may be claimed from assessments on lands in respect of a loss incurred by reason of a flood or tempest. The loss must be sustained on a growing crop or on a stock of lands let to a tenant, or the lands must be rendered incapable of cultivation for any year; also the *bonâ fide* of the claim must be supported by evidence that the owner has made an allowance from the rent in respect of the loss. On due proof of these facts the commissioners are authorized to make a deduction from the assessments under

FLOODS—(*contd.*)

Schedule A (landlord's property tax) and Schedule B (tax on tenant's profits) corresponding to the allowance made from the rent. When the owners (being infants, idiots, etc.) are incapable of consenting to abate the rent, the commissioners may reduce the Schedule B assessment by the amount which they consider would have been abated had the owner been capable of consent. Where the owner is also the occupier the commissioners may make any allowance they consider due. (*I.T.A.*, 1918, *Schedule A*, *No. V*, *Rule* 9.)

FLOTATION OF A COMPANY.

The expenses incurred in the flotation of a company may not be charged against its profits. Such expenses are undoubtedly capital charges. (See under CAPITAL for the law on the subject.) Where, however, it is the business of a company or syndicate to float a further company (so that if a profit were made on the flotation such profit would be included in its assessment), the expenses of the flotation referred to are allowable as a trade expense.

FOREIGN, FOREIGNERS, ETC.

See under FOREIGN CONCERN WITH HEAD OFFICE OR PROPRIETOR IN THE UNITED KINGDOM; FOREIGN CONCERN WITH A BRANCH IN THE UNITED KINGDOM; FOREIGN INCOME; FOREIGN INCOME IN HANDS OF TRUSTEES; FOREIGN MINISTERS; FOREIGN PARTNERS; FOREIGN POSSESSIONS; FOREIGN SECURITIES; FOREIGN SHARES AND DEBENTURE HOLDERS; FOREIGN TAXATION; FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM; FOREIGNERS and NON-RESIDENTS; also under DOMINION INCOME TAX RELIEF and RESIDENCE.

FOREIGN CONCERN WITH HEAD OFFICE OR PROPRIETOR IN THE UNITED KINGDOM.

What may be commonly known as a foreign concern may be chargeable under either of two "cases" of Schedule D. Case I provides for the assessment of the entire profits of the concern. Case V provides for the assessment of that portion of the profits which are actually remitted to the United Kingdom. When Case I applies, the assessment is made on the average of the total

FOREIGN CONCERN WITH HEAD OFFICE OR PROPRIETOR IN THE UNITED KINGDOM—(*contd.*)

profit, and in this and all other respects the concern is under the same rules as one whose operations are confined to this country. When Case V applies, the assessment is based on the average of the amounts received in the United Kingdom during the past three years, without any deduction whatsoever. (See under FOREIGN POSSESSIONS; see also under FOREIGN INCOME as to the effect of the Finance Act, 1914.)

The determining factor in the consideration of a particular concern's relation to Case I and Case V is the fact of *residence.* When the person or company " resides " in the United Kingdom the assessment should be made on the entire profits accruing with regard to that residence (Case I). Otherwise the only liability is in respect of profits remitted to the United Kingdom (Case V). There is a difference between a person and a company, however, in this regard. A person may reside in the United Kingdom and yet may have foreign profits which do not accrue in respect of his residence here. Thus, if he is a sleeping partner in a foreign firm, the profits which accrue to him therefrom have no connection with his residence in the United Kingdom, and he is only liable on the amounts received by him in this country (Case V; but now see under FOREIGN INCOME as regards income left abroad). If he is an acting partner in a foreign firm but has no share in its management except when he is abroad (this must be strictly adhered to) the same rule applies. If he is an acting partner and takes some share in the management, by correspondence or otherwise, while he is in the United Kingdom, he is assessable on his full share of the profits (Case I). These distinctions cannot apply in the case of a company, however. It is shown under RESIDENCE that a company resides where it carries on business, *i.e.* where its central management is. If it resides in the United Kingdom its entire profit is assessable (Case I).

These notes suffice to explain the effect of residence on the question whether tax is chargeable on the whole profits of a " foreign " concern, or only on so much of the profits as are received in this country. The matter of residence and what constitutes it is dealt with under RESIDENCE, as regards both persons and companies.

FOREIGN CONCERN WITH HEAD OFFICE OR PROPRIETOR IN THE UNITED KINGDOM—(*contd.*)

A person who resided in Aberdeen owned a business in Canada which was carried on by his local manager. Although, in fact, he did not interfere in the management, he had the right to. It was, therefore, held that he carried on the business in the United Kingdom. (*Ogilvie* v. *Kitton*, 1908.) No other note is necessary as to what constitutes the carrying on of a business in this country by a *person*.

FOREIGN CONCERN WITH A BRANCH IN THE UNITED KINGDOM.

It has been shown under the preceding heading that a foreign concern is assessable either on its whole profits or on so much of the profits as are remitted to the United Kingdom. In the former case no question arises as regards a branch in this country, as the profits of that branch will be included in the general assessment. Where the company is not assessed on its whole profits, a specific assessment will be made to cover the branch profits. Further, if the company remits to this country certain of its profits for the purpose of paying dividends to British shareholders, tax will be charged on such remittances in the manner shown under FOREIGN INCOME. In this way, however, the company will have paid tax (*a*) on the profits of its English branch, and (*b*) on a proportion of its total profits; but (*b*) includes a proportion of (*a*) and there is a certain double charge. This double charge is rectified on the principles laid down in *Gilbertson* v. *Fergusson* (1881), as will now be shown.

The Acts provide that profits which accrue in the United Kingdom shall be subject to tax, to whomsoever they belong. The English branch profits, which belong to the English and foreign shareholders according to the proportions of their holdings in the company, are therefore assessable in full under Case I of Schedule D. The Acts further provide that so much of the foreign profits as are remitted to the shareholders in this country shall be assessed under Case V. The total liability is, therefore, (*a*) on the English branch profits, and (*b*) on that portion of the dividends remitted to England which

FOREIGN CONCERN WITH A BRANCH IN THE UNITED KINGDOM—(*contd.*)

is payable out of the foreign profits. That is to say, the total liability is as follows—

$$\text{English Branch Profits } \textit{plus } \frac{\text{English Dividends} \times \text{Foreign Profits}}{\text{Total Profits of the Company}}$$

or—

$$\text{English Branch Profits } \textit{plus } \frac{\text{English Dividends} \times (\text{Total Profits } \textit{minus} \text{ English Branch Profits})}{\text{Total Profits of the Company}}$$

In an example given by a judge in Court, the English shareholders held half the shares, and half the total profits were made in England. The total liability of the company was on three-quarters of its profits, as follows. The English shareholders were liable on half the English profits and on half the foreign profits (*i.e.* on half the whole profits). The foreign shareholders were liable on their share (one-half) of the English profits (*i.e.* on one quarter of the whole profits). Assuming the total profits to be £10,000, this would be worked out from the formula given above as follows—

$$£5{,}000 + \frac{£5{,}000 \times (£10{,}000 - £5{,}000)}{£10{,}000} = £7{,}500$$

In *Gilbertson* v. *Fergusson* it was also decided that this basis of assessment holds good even though the English dividends are not remitted, but are paid out of the English branch profits. Such dividends are regarded as being constructively remitted. A further example will illustrate the liability of the English branch in this case. Let the company's combined English and foreign profits be £20,000, and the English branch profits £5,000. If the English shareholders hold one-half of the shares and receive £9,000 out of a total dividend of £18,000, the branch will be assessed as follows—

$$\text{English Branch Profits } \textit{plus } \frac{\text{English Dividends} \times (\text{Total Profits } \textit{minus} \text{ English Branch Profits})}{\text{Total Profits}}$$

$$= £5{,}000 + \frac{£9{,}000 \times (£20{,}000 - £5{,}000)}{£20{,}000}$$

$$= £5{,}000 + £6{,}750 = £11{,}750$$

FOREIGN CONCERN WITH A BRANCH IN THE UNITED KINGDOM—(*contd.*)

of which £5,000 will be assessed under Case I and £6,750 under Case V. (In this example both the total profits, £20,000, and the English branch profits, £5,000, are assumed to have been arrived at in the same way. They probably represent the average profits of the three preceding years.)

The assessment under Rule V is usually made by the special commissioners (Somerset House) to whom any application for an adjustment on the basis described should be made.

FOREIGN DIVIDENDS.

See under SCHEDULE C.

FOREIGN INCOME.

Until 1914/15 foreign income was not assessable unless it was brought into the United Kingdom, and then only so much of it was assessable as was remitted to persons who are deemed to be resident in this country. (See under RESIDENCE as to this.) From 1914/15 the law is altered, as will be shown later. For all years, however, consideration is required as to what income may be regarded as "foreign" under the income tax acts. For example, a company which trades abroad but whose place of central management is in the United Kingdom, is not a foreign company. In such a case the assessment will be made as on any other British concern, and the shareholder (whether British or foreign) may not draw any distinction between his company and a company whose operations are confined within the British Isles. If any shareholder is in doubt as to the application of this rule in his own case, he should ask information of his company, which is bound to have looked into the matter for purposes of its own assessment.

Foreign income which reaches any person resident in the United Kingdom who is not exempt, should be included on that person's return so that he may be assessed therefor. The fact that he may not have received a form does not relieve him from the duty of making a return. (A penalty may be imposed in any case of neglect.)

For all years up to and including 1913/14 his return included only such sums as were received by him in this country. Income

FOREIGN INCOME—(*contd.*)

which accrued abroad and was left there was not liable to assessment for such years. For years prior to 1914/15, therefore, income from foreign securities was assessable on the amount received during the year for which the assessment was made; and income from foreign possessions on the average of the amounts received during the three years preceding the year for which the assessment was made. (See under FOREIGN POSSESSIONS and FOREIGN SECURITIES for what these terms include, etc.)

Remittance.

It will have been observed that actual remittance to this country has not been a material matter, in many instances, since 1914. The following cases were decided on the older law, but they still have an interest so far as remittance is a relevant factor.

Under the rules in force for the year 1913/14 and previous years, certain questions have arisen with regard to companies to whom profit accrues from foreign possessions or securities. When such profit accrues in the course of their trading they are assessable therefor, whether it is brought to this country or not. It has been held that if such profit is brought to this country the revenue authorities have the option of assessing it with the company's other profits (under Case I) or by itself (under Case IV or V). (*Scottish Mortgage Co. of New Mexico* v. *McKelvie*, 1886.) A more important question relates to what the words "received in the United Kingdom" includes. A theory of "constructive remittance" has been argued with varying fortunes. A company lent money in Australia and left the interest abroad for reinvestment or to meet local administrative expenses. At the same time it included such interest in its accounts at home. It was held (in a Scotch court) that the interest may not be regarded as received in this country merely because of the book-keeping entry. (*Forbes* v. *Scottish Provident Institution*, 1895.) A life insurance company left certain interest in India to meet its liability there (such as obligations under policies). It was held, in the Queen's Bench Division, that the company treated the interest in its books as if it were received here, and included it with the English profits; also that if it were not retained in India an equal sum must have been sent there to meet

FOREIGN INCOME—(*contd.*)

the local liabilities. The interest was, therefore, "constructively remitted" to this country. (*Universal Life Assurance Co.* v. *Bishop*, 1899.) Then came the judgment of the House of Lords in *Gresham Life Assurance Society* v. *Bishop*, 1902. This society received interest abroad, but left it there sometimes for the upkeep of the branches and sometimes for investment abroad. Although it was shown as a profit in the English accounts, it was held that it was not subject to tax. The Lord Chancellor threw grave doubts on the whole theory of constructive remittance, remarking that "I do not think that any amount of book-keeping or treatment of these assets will be equivalent to, or the same thing as, receiving the amount in this country." No other case has since been decided on this point, but the companies concerned have been hit in another way. In *Liverpool and London and Globe Insurance Co.* v. *Bennett* (*House of Lords*), 1913, an insurance company had three classes of investments abroad, (*a*) investments necessarily made to comply with the law of the country concerned, (*b*) investments made in order that the company might legally effect insurance of a certain amount, and (*c*) investments made voluntarily in each country in order to put the moneys of the company to a profitable use. It was held that the income accruing from investments of all three classes should be regarded as part of the profits or gains of the company's business, and should, therefore, be included in the assessment on the company under Case I of Schedule D, whether they were received in this country or not. It was, of course, part of the company's business to make investments.

Remittances of capital are not assessable, but it is for the taxpayer to prove that the remittances do not represent income. A company received interest on capital invested abroad, and left it abroad for investment. Subsequently the foreign branch remitted to the United Kingdom a certain sum which corresponded to the amount of the capital lent abroad and since repaid by the borrowers. An assessment was made in respect of the sum remitted and was sustained on appeal. The Lord Chancellor stated that it was a question of fact. "Here is a large amount which to my mind must include, and obviously does include, a large amount of profits. It is for the company to show, if the fact be so . . . a

FOREIGN INCOME—(*contd.*)

good deal of it is repayment of capital. No attempt has been made to do that. (*Scottish Provident Institution* v. *Allan*, 1901.)

Sums received in this country are assessable in full, without deductions for the cost of distributing them to the owners (*Aikin* v. *MacDonald's Trustees*, 1894), or for any other similar expense. All expenses incurred and paid abroad are, of course, deducted before the income is received in this country.

Certain Income Taxable, although left Abroad.

The *Finance Act*, 1914, *s.* 5, at once extended and simplified the law as from 1914/15, and its provisions are incorporated in Cases IV and V of Schedule D of the Income Tax Act, 1918. Income tax is chargeable on all residents in the United Kingdom (except persons not domiciled in this country or British subjects not ordinarily resident here) on the full amount of their income from *foreign securities, stocks, shares, and rents*, less the amount of any charges thereon payable to a person resident abroad. The note under RESIDENCE sets forth the circumstances which constitute residence in the United Kingdom. All foreign income except that mentioned above in italics is chargeable under the rules which existed for years prior to 1914/15, and are continued under the Income Tax Act, 1918, as regards such income.

Tax Deducted by Paying Agents.

It has been stated that a person receiving foreign income without British income tax having been deducted therefrom, is liable to assessment in respect thereof. In most cases, however, tax is deducted by the person in the United Kingdom to whom the income is sent for distribution in this country. Every person to whom such income is entrusted for payment to the persons entitled thereto is required to deliver to the Board of Inland Revenue a written statement containing (*a*) the name and address of such persons, and (*b*) particulars of the income so entrusted to them and of the amounts payable to them. This information is required to be given within one calendar month of a general notice in the *London Gazette*. It is usual to obtain forms from, and to arrange for the making of periodical returns with, the special commissioners of income tax.

FOREIGN INCOME—(*contd.*)

(*I.T.A.*, 1918, *Schedule C, Rules—persons other than Bank of England, etc.*—1 *to* 6.) The expression "person entrusted with payment" includes (*a*) any banker or person acting as a banker who sells or otherwise realizes coupons, etc., for bills of exchange, (*b*) any person who by means of coupons (including warrants for bills of exchange, etc.) obtains payment of dividends elsewhere than in the United Kingdom, and (*c*) any dealer in coupons purchasing coupons for any dividends not payable in the United Kingdom only, otherwise than from a banker or another dealer.

Persons entrusted with foreign income are also required to deduct tax therefrom at the current rate and to hand it over to the Revenue. They are entitled to a poundage, which will be paid by the Board of Inland Revenue. The remuneration from 1915/16 is to be a poundage fixed by the Treasury at not less than 13s. 6d. for every £1,000 of the dividends concerned. (*I.T.A.*, 1918, *Schedule C, Rules—persons other than Bank of England*—5.)

When tax is so levied on foreign income belonging to a person who is not resident in the United Kingdom, such person may claim repayment as is stated under NON-RESIDENTS. (See under DEDUCTION OF TAX as regards payments made before the passage of the Annual Finance Act.)

Interest, dividends, annuities, etc., which arise out of any foreign public revenue are assessable under Schedule C, but duty is collected as shown above.

FOREIGN INCOME IN HANDS OF TRUSTEES.

In *Drummond* v. *Collins* (1915), the trustees of a deceased person remitted from abroad such sums as they considered necessary for the maintenance of certain children resident in the United Kingdom. It was contended that such remittances were merely voluntary payments made according to the discretion of the trustees, but the House of Lords held that sums received here were assessable under Case V of Schedule D, as foreign possessions.

Lord Loreburn said: "It is abundantly clear that the present case falls within the letter of the Act. These sums were derived from remittances from America payable in Great Britain, or from money

FOREIGN INCOME IN HANDS OF TRUSTEES—(*contd.*)
or value received in Great Britain and arising from property that has not been imported into Great Britain. They also come within the words of Schedule D as profits or gains accruing from property to a person residing in the United Kingdom. It was argued, however, that these allowances sent from America are not ' income ' of the children, because they were voluntary payments by the trustees. I do not assent to the proposition that a voluntary payment can never be charged, but it is enough to say that these were not voluntary payments in any relevant sense. They were payments made in fulfilment of a testamentary disposition for the benefit of the children in the exercise of a discretion conferred by the will. They were the children's income, in fact. Then it was contended that the mother to whom the money was paid as guardian could not be charged as guardian under Section 41, because she had not control of the foreign property out from which they were derived. I do not find any language in the Section which gives countenance to this argument. The lady had control of the sums which are sought to be charged with the tax." Lord Parker said : " In my opinion it is enough for Case 5 to apply that the person to be assessed has such an interest in the property as to entitle him to the profits or gains in question. The infants had, in my opinion, such an interest. Though they might be incapable, because of their age, of giving a receipt for the money, it is in my opinion none the less clear that the money in question was, as soon as the trustees had exercised their discretionary trust, held in trust for these infants as beneficiaries." Lord Wrenbury remarked : " The gifts are each one of them in favour of the children, but the dates for payment to the children are fixed with reference to the exercise by the trustees of their discretion, or the ages from time to time of the children. At the time with which your lordships have to do, there could be no payment except by exercise of the discretion vested in the trustees ; but so soon as their discretion is exercised in favour of the child, the resulting payment seems to me, upon the language of the will, to be a payment of income to which the child is entitled by virtue of the gift made by the testator. I cannot see any ground upon which such income is not subject to Income Tax. My lords, let me, however,

FOREIGN INCOME IN HANDS OF TRUSTEES—(*contd.*)
assume that the above reasoning is not correct and that the interest of the infants is contingent ; that is to say, that the income of another (the person entitled under the gift over) in another contingency—that the money which is paid for the benefit of the child is not income of the child rendered payable by the action of the trustees, but is income which, but for the action of the trustees, would have been income of someone else (the person entitled under the gift over), which only comes to the child because the trustees under the provisions of the will divert it from that other person and make it available for the child. It remains, however, that in this case the trustees exercise their discretion in favour of the child, the interest of the child ceases to be contingent and becomes vested. Whether the money is paid to the child or to the guardian of the child, or to the schoolmaster, or to the tailor or other person who supplies the wants of the child, it is paid to or to the use of the child and is income of the child."

In *Williams* v. *Singer and Others* (House of Lords, 1920), Mr. Singer and other residents in the United Kingdom were trustees of a French subject who was not domiciled in the United Kingdom. Certain dividends were sent direct from America to the French subject, and no part thereof had been remitted to or received in the United Kingdom. The Special Commissioners by a majority had held that the liability of the trustees was neither greater nor less than the liability which would attach to the person for whom they were trustees, if such person were resident in the United Kingdom. The Court confirmed this decision. Non-residents could be made assessable to income tax only if they were brought within the fourth or fifth cases of Schedule D. They could be charged in the name of their trustee only if the Income Tax Act, 1918, All Schedules, Rules 5 and 6 applied. The case of *Poole* v. *Royal Exchange Assurance*, determined at the same time, was governed by this decision, no separate judgment being given.

FOREIGN MINISTERS.

An accredited minister from any foreign state is allowed exemption under Schedule C, *i.e.* on interest and dividends arising out

FOREIGN MINISTERS—(*contd.*)

of any public revenue. (*I.T.A.*, 1918, *Schedule C, Rule* 2 (*c*).) A house rented for and occupied by such minister is charged to property tax in the name of the landlord or person immediately entitled to the rent, who is required to pay the duty. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 10.) No exemption is accorded to a foreign minister in respect of any trade or professional fees which accrue to him otherwise than in his capacity as minister. His remuneration as minister is not assessable, neither is that of his subordinate officials.

FOREIGN PARTNERS.

A foreign partner in a firm which trades within the United Kingdom is assessable to income tax as though he were resident here. (Any person, whether a British subject or not, although not resident within the United Kingdom, is liable in respect of the income from any property in this country, and in respect of the profits of any profession, trade, etc., exercised here. (*I.T.A.*, 1918, *s.* 1.) When all the acting partners of a firm are resident abroad, the usual returns are required to be made by the agent, manager, or factor resident in the United Kingdom.

Where the firm's business is not entirely conducted from and confined to the United Kingdom, it is evident that all the profits do not arise from a trade exercised within this country. For example, if a shipping firm has a fleet trading from London and a coasting fleet trading from San Francisco, and if, of its two partners, one resides in London and the other in San Francisco, the American profits cannot be said to accrue in the United Kingdom. But the two fleets are attached to the one concern, and it is quite possible that the London partner owns a preponderating share in both fleets. The London partner is liable (*a*) on his share of the London profits, and (*b*) on his share of the American profits. The American partner is liable (*c*) on his share of the London profits. The principle on which this calculation is made was cited with approval by a judge in *Gilbertson* v. *Fergusson* (1881).

The Income Tax Act, 1918, Schedule D, Cases I and II, Rule 12, however, provides for the assessment of a partnership *whose control and management is abroad.* Such partnership is deemed to reside

FOREIGN PARTNERS—(*contd.*)

abroad even although some of the partners reside in this country. If any of the trading operations take place here, the assessment is to be confined to the profits arising thereon. The partners residing here may be held responsible for the tax charged. They may, of course, be charged in respect of any of the foreign profits which they receive here. The words italicized must be noted.

A partner who is not resident in the United Kingdom may not claim the personal allowances and deductions except in the special circumstances stated under NON-RESIDENTS. (*I.T.A.*, 1918, *s.* 26.) (See under RESIDENCE and under NON-RESIDENTS.)

FOREIGN POSSESSIONS.

The term "foreign possessions" is referred to by Income Tax Acts in two connections. It may mean "all that is possessed out of the United Kingdom." (Lord Herschell in *Colquhoun* v. *Brooks*, (1889), or it may refer to one of the two branches of foreign income "foreign securities" is the other branch).

It has the broad meaning in the enactment which exempts from tax the profits or gains from foreign possessions of a person who is not resident in this country. (See under RESIDENCE as to the circumstances in which a person is deemed to reside here.) In this section (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 2; *All Schedules, Rule* 3) the words "foreign possessions" include a trade wholly carried on abroad.

Whenever the question is the basis on which certain foreign income shall be charged the word "possession" must be set against the word "security." In *Singer* v. *Williams* (House of Lords, 1920), it was held that shares in an American Corporation were foreign *possessions*, with Case V of Schedule D, and not *securities* within Case IV.

In the *Scottish Provident Institution* v. *Farmer* (1912) a Life Insurance Company invested abroad in Bearer Bonds and the Interest Bonds were sent to them in this country for safe custody. In the succeeding year the bonds were sold and the proceeds were received by the company in this country. It was held that the proceeds of the sale of the bonds were chargeable under Schedule D, Case IV. The matters under discussion in this case are shown in

FOREIGN POSSESSIONS—(*contd.*)

the following extracts from the judgment of the Lord President—"There was a case before your Lordships in which the Crown contended that the bringing of the corpora of these bearer bonds was equivalent to receipt of the money, but your Lordships held otherwise. . . . . The actual earning of the interest upon which the charge is now proposed to be made was not in the year of assessment with which we are dealing ; but the realization of the earnings by means of the sale of the bonds in this country was in the year of assessment . . . . . Now the argument for the Crown is that this has been received in Great Britain in the year of assessment, and therefore, must be charged. The argument for the Institution is that inasmuch as it was not earned in the year it does not fall within the Income Tax Act at all. I am of opinion that the determination of the Commissioners is right. There is nothing said in the Act about a gain being necessarily within the year of assessment. No doubt that will be the natural result of the way in which the whole matter is worked ; but I would like to make, first of all, this observation, that although the Act is full of the expression 'annual profits and gain' in almost every section which deals with this matter, the presence of that word 'annual' does not seem to me to connote necessarily the idea of nothing being chargeable which is not within the year of assessment, but it is there for the purpose of showing that this is an income, that is to say, the tax which is being levied is a tax upon income or in other words, annual profits, and not upon capital. When a profit or an interest is earned in this country, the question really cannot arise because the profit which is earned in this country is necessarily received in this country. I use the word 'received' because you may quite well have a profit which has not been paid to you in hard cash. In many and many a partnership, it does not pay its profits in hard cash, or a partner does not take his profits in cash, but nevertheless it is earned, and being earned it is necessarily received by the partner at the time it is earned. But when the profit is earned abroad it is not necessarily received at the same time in this country. It is, of course, received in the sense of your having a right to it there, but it is not received in this country, and accordingly this Fourth Case has said that the duty was only to be

FOREIGN POSSESSIONS—(*contd.*)

computed on sums which have been or will be received in the current year. As soon as they are received I think they become chargeable."

All foreign income which does not arise from a foreign security is included in the term under notice. (See under FOREIGN INCOME and FOREIGN SECURITY as to the meaning of these terms.) This term includes shares in a foreign company, whether ordinary or preference, a share in a foreign business where the person owning it is a sleeping partner only (*Colquhoun* v. *Brooks*, 1889), and foreign property.

The basis of assessment is provided by the rules of Case V, Schedule D. (*I.T.A.*, 1918, *Schedule D, No. V, Rules* 1 *and* 2.) Income accruing to residents in the United Kingdom from foreign stocks, shares and rents is assessable to income tax *even though it is not received* in this country. (See under FOREIGN INCOME.) As regards income from other Colonial or foreign possessions, duty is charged on the full amount of the actual sums annually received in the United Kingdom. In both cases, assessments are made on an average of the sums arising (or received) within the three years preceding the year for which the assessment is made. For the year during which the income begins to arise (or be received), the assessment should be made on the actual sum received. For the first whole year in which the income arises (or is received) the assessment should be made on the amount received in that year ; for the second year, on the same amount as the first ; for the third year, on the average sums arising (or received) during the first and second years ; for subsequent years on the full average of three years.

In *Hudson's Bay Company* v. *Thew* (1919), the company endeavoured to extend the decision as to its non-liability in respect of sales of land (see page 492) to interest received on unpaid purchase money. The Court decided against the company. The Court further decided that the interest was " income arising from securities " within the meaning of Case IV of Schedule D. Rowlatt, J.—" The Company has no security on the land for that interest ; the interest is not secured, but they have this right, that they can re-enter if there is any default in payment of the instalments.

FOREIGN POSSESSIONS—(*contd.*)

. . . . . Now is it interest upon security? It was long thought. and has now been decided, that stocks, shares and the like abroad, are not securities; they are possessions. But what is interest secured by covenant upon a debt which is covenanted to be paid? Is that interest upon a security? It seems to me that it is. Sir John Simon's contention was that it is necessary that a security should not rest merely in covenant but that it should be fortified by some collateral real asset. If that is so, as I put it to him and I do not quite know the answer to it, the public debt of Canada—as we are dealing with Canada—and of the Provinces of Canada, and of the various cities in Canada, and local authorities which have issued debts, some of which are investments of a very high order, are not securities. It is inconceivable to me that they should not be. They are simply debts with interest running on them, which are secured merely by covenant or obligation of the Government, or of the Authority, or of the Corporation. This is the covenant of a farmer, that is all; but I think the covenant is a security just as much as the obligation of a Government or the covenant of a Corporation capable of covenanting. It is not like stocks and shares which are a share of the property itself belonging to the holder."

See under FOREIGN INCOME as regards the method of assessment and other general rules. It may be repeated here, however, that no deductions are allowed from the sums received in respect of the cost of distributing such sums or for any other similar cause.

FOREIGN SECURITIES.

The term "foreign securities" includes a particular class of foreign income. For the distinction between "foreign securities" and "foreign possessions," see under FOREIGN POSSESSIONS. Within the term fall debentures in foreign companies, mortgages on foreign property, and money lent on security. (Foreign shares, etc., are foreign possessions; see under the previous heading.)

For years up to and including 1913/14, profits which accrued from foreign securities were assessable on the amount received in the United Kingdom during the year for which the assessment is made.

FOREIGN SECURITIES—(*contd.*)

Since 1914/15 income accruing to residents in the United Kingdom from foreign securities, stocks, shares, and rents has been assessable to income tax even though it is not received in this country. (See under FOREIGN INCOME.) (*I.T.A.*, 1918, *Schedule D, Case IV, Rule* 1.)

See under FOREIGN INCOME as regards the method of assessment and other general rules. It may be repeated here, however, that no deductions are allowed from the sums received in respect of the cost of distributing those sums or for any other cause.

FOREIGN SHAREHOLDERS AND DEBENTURE HOLDERS.

A foreign shareholder in a company which carries on its business in the United Kingdom, is liable to income tax as if he were a resident in this country. If the company's operations happen to be conducted out of the United Kingdom he is still liable. The whole question of liability is determined with reference to the company and not to the shareholder. If the company is held to be managed in this country all its shareholders are necessarily regarded as trading here, and are assessable on their profits. (See under RESIDENCE as regards the liability of a company which trades abroad.)

The same rule applies to a foreign resident who holds the debentures of a British company. Where the interest is payable abroad the company must, of course, prove its title to deduct tax therefrom, by right of the terms of the issue of the debentures or of the law of the country in which the payments are made. In any case the company may be required to account to the Revenue for tax on the debentures. This requirement was enforced in a case where the debenture holders resided in Egypt, where also the company's property was situated. (*Alexandria Water Co.* v. *Musgrave*, 1883.) In *Delage* v. *Nugget Polish Co.* (1905) also, the English company was authorized to deduct tax from a percentage of receipts payable to persons residing abroad in return for the rights of manufacture. The present Revenue practice is not to enforce the deduction of tax from foreign residents who are entitled to interest on a loan secured on foreign assets only.

Where the company is not deemed to carry on its business in

FOREIGN SHAREHOLDERS & DEBENTURE HOLDERS (*contd.*)

the United Kingdom, but certain of its dividends belonging to a foreign resident are paid to him through a person in the United Kingdom who is required to deduct tax therefrom (see under FOREIGN INCOME), the foreign shareholder may claim repayment of such tax within three years of the end of the financial year for which tax was paid. (*I.T.A.*, 1918, *s.* 26, and *Schedule C, Rule* 2 (*d*).)

No claim to repayment may be made by a non-resident except in the circumstances stated in the preceding paragraph, and in a few other cases stated under NON-RESIDENTS.

See under FOREIGN TAXATION as regards interest paid by a foreign corporation which attempted to deduct foreign taxes therefrom.

FOREIGN TAXATION.

Foreign and Colonial taxes on profits which are subsequently charged to tax in the United Kingdom, may be deducted from the amount of such profits for the purposes of the assessment to income tax. (*Stevens* v. *Durban-Roodepoort Gold Mining Co., Ltd.*, 1909.) They should be charged in each year's accounts, and not be deducted from the average profits.

The fact that foreign tax or any other duty has been charged on certain profits, does not exempt them from assessment to income tax in the United Kingdom. (See also under DOMINION INCOME TAX RELIEF.)

In *Indian & General Investment Trust, Ltd.*, v. *Borax, Ltd.* (High Court, 1919) it was held that where a foreign corporation had contracted to make payments of certain interest, no deduction should be made in respect of United States Income Tax, notwithstanding United States legislation permitting the foreign corporation to make a deduction in respect of tax. The interest was payable under a contract which was required to be regulated by the law of England, and the sum due for interest was payable in London. The case would, of course, have been different had American law regulated the contract, or had the payment been made in America. *Sankey, J.*—"There is an express Act of Parliament which permits payment to the English Income Tax Authorities to be discharged *pro tanto* of a debt which a person owes in respect of yearly interest

FOREIGN TAXATION—(*contd.*)

to another. There is no Act of Parliament which allows payments of income tax to another country to be reckoned as a discharge. As to the common law, so far as 1800 it was laid down that it was impossible to say that a contract made in one country was to be governed by the law of another."

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM.

There is a widespread system whereby a foreign trader engages an agent to sell his goods in this country through an agent who is paid sometimes by a salary, but more often by a commission based on the amount of business he can obtain. At times he works at his principal's risk, at other times he guarantees that payment will be forthcoming from all customers introduced by him. As a rule he has samples of the goods he wishes to sell, but occasionally he has a considerable stock in his keeping. In all these varied circumstances one thing is clear. The agent must pay tax on any profit he himself makes in this way. But a further point arises. Is the foreign trader liable to be taxed for *his* profits? In many cases he is, even though he may never have set foot in this country. The highest rate of tax is applicable to such an assessment, and the duty amounts, therefore, to nearly seven per cent. of the profits assessed. The principles on which the question of liability must be decided will now be stated and explained.

Any person, whether a British subject or not, and whether resident in this country or not, is liable to be assessed for profits accruing to him from property situated here or from a trade exercised here. (*I.T.A.*, 1918, *Schedule D, Rule* 1.) Any foreign trader who exercises a trade in this country is liable to assessment, and this extends to a trader who exercises a trade here *through an agent*. It does not necessarily follow that, because goods are sold through an agent, the owner of the goods trades through that agent. He may use that agent for the purposes of obtaining orders and may do all the *trading* himself after the orders are forwarded to him. This is the point to be determined therefore. What constitutes trading in this country, and what are the determining circumstances?

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

"It cannot in my opinion be denied" (said Lord Davey in *Grainger* v. *Gough*, 1896) "that the mere fact of a foreigner selling his goods to English customers, does not constitute an exercise of his trade *within* this country, although he is trading *with* this country. But it was argued that the habitual employment of agents to obtain orders, and transmit them abroad, constitutes the act of selling to English customers and an exercise of trade in this country. I am unable to accede to that argument. Canvassing for custom is no doubt ancillary to the exercise of trade . . . but he (the foreign merchant) exercises his trade *where he makes his sales, and the profits come home to him.*" In the same case *Lord Watson* laid it down that "no merchant exercises a trade beyond the limits of his own country so long as all *contracts* and *deliveries* are made within these limits." "The question of *whether money is paid in* England or not is not necessary to be decided in this case." (Lord Esher in *Werle* v. *Colquhoun*, 1888.) "If it is, it is a strong circumstance, but it is not necessary to this fact, that a trade is carried on in England."

The judges have thus set aside the canvassing for orders as irrelevant, and have dissected a trading transaction into three material parts, viz., the making of a contract, the delivery of the goods purchased, and the payment for those goods. When all three take place in this country it cannot be disputed that a trade is exercised here. It will be necessary to consider the effect when some, but not all, of them take place in this country. Before doing that, however, it may be well to answer three questions. In what circumstances is a contract to be regarded as having been made in this country? In what circumstances may goods be regarded as having been delivered to the purchaser in this country? In what circumstances may payment be regarded as having been made in this country?

First, as to the place where the contract is made. Lord Watson declared in *Grainger* v. *Gough* that "unless something is done by the receiver of the order amounting to acceptance there is no contract." There are, therefore, two parts to a contract. One party offers to buy a certain quantity on certain terms and the

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

other party accepts that offer. The contract is made when the offer is accepted and the parties are, therefore, bound to each other.

The *place of the contract* is, therefore, the location of the person who accepts the offer at the time when he does so. In transactions such as are being discussed, a most important factor, therefore, is whether the agent in the United Kingdom has the power to and does, in fact, accept the offer to purchase the quantity named by the customer on the terms stated. If so, the contract is made in this country. If the agent has to refer the orders to the foreign principal for acceptance or rejection, the contract is made abroad. In the converse case, where the foreign trader makes a standing offer of a contract and the English resident accepts the offer, and by so doing binds himself and the foreign trader, the contract is obviously made in this country. This rarely occurs, however, as the last word is naturally with the trader who is to supply the goods or perform the service to be contracted for.

Secondly, as to the place where the goods are delivered. In a colloquial sense, delivery must always be made on the premises of the purchaser. But this is not so in law. Delivery occurs when the seller loses all right in the goods and the place of delivery is consequently the location of the goods when this occurs. This matter may be determined by enquiring who would stand to lose if the goods were lost or damaged. If an American firm ships goods at New York at the purchaser's risk, they are obviously the purchaser's goods from the moment they are shipped. In this case delivery takes place in America. If the goods are shipped at the seller's risk until they reach this country, delivery takes place in the United Kingdom. Occasionally the foreign trader sends the goods to the agents who transmit them to the purchaser. In this case, also, delivery takes place in this country. In *Crookston Bros.* v. *Furtado* (1910) delivery was held to take place abroad in circumstances described by a judge as follows: "The phosphates are shipped by the company from Algeria in vessels chartered for the company on the instructions of the Appellants, and bills of lading are granted by the masters in favour of the company as

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

shippers deliverable unto order or their assigns. These bills of lading reach Glasgow at least a week before the arrival of the goods and are at once endorsed by the Appellants to the purchasers and handed over to them in exchange for three-fourths of the price in the invoice. . . . It is plain that the bills of lading were always delivered to the English purchasers while the vessels conveying them were still at sea. The legal property in the goods accordingly passed to the purchaser when he received the bills of lading."

Thirdly, as to the place of payment. This matter is not quite so straightforward, because there is so often a divergence between theory and practice. Thus, the foreign trader's invoice frequently bears the instruction " Payment to be made to me at Paris " (for example). If, however, payment is made to the agent it is obvious that he will not return the money, but will forward it to his principal. The latter will issue the receipt, however, in which case payment may fairly be held to have been made abroad. Where the agent is permitted to accept payment and to issue a receipt, payment is deemed to be made in this country.

We turn now to consider what is the position when some, but not all, of these three essential parts of a contract take place in this country. A dictum respecting the place of payment has already been quoted. Payment within this country is " a strong circumstance, but it is not necessary to this fact, that a trade is carried on in England." The precise weight which this circumstance carries with it cannot be measured. In any case of controversy the decision will be come to on the other parts of the contract, with a reference to the place of payment, when there is strong doubt regarding those other parts. It might almost be said that the place of payment has no weight in practice, save to confirm an opinion which has already been formed on other facts. Where the decision come to on the other facts is at variance with the circumstances of payment, the latter circumstances would no doubt be ignored. This is borne out by *Lord Watson's* dictum in *Grainger* v. *Gough*, 1896. " When a trade is carried on in a foreign country, and British customers not only purchase but take delivery there, I do not think that the

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

employment of an English agent to collect and remit the debts due to him by these purchasers can be regarded as an exercise of his trade in this country by the foreign merchant."

The place of contract is a far more important circumstance. "Whenever profitable contracts are habitually made in England by or for a foreigner with persons in England, because those persons are in England, to do something for or supply something to those persons, such persons are exercising a profitable trade in England, even though everything done by them in order to fulfil their part of the contract is done abroad." (Brett, L.J., in *Erichsen* v. *Last*, 1881.) This dictum was approved in the House of Lords, the final Court of Appeal (*Grainger* v. *Gough*, 1896), and it may, therefore, be considered indisputable that the mere fact that contracts are made in this country is alone sufficient evidence that the foreign trader exercises a trade here.

The place of delivery is equally important. "Even if the contract had been made in New York, a man, when he delivers goods in this country, exercises a trade and carries on a business." (Wills, J., in *Turner, Ltd.* v. *Rickman*, 1898.) This principle has never been so much in evidence as that with regard to the place of contract, but it has not been controverted in a higher court, and in the House of Lords great stress has been laid on the place of delivery, although the case before the House (*Grainger* v. *Gough*, 1896) had no need to be decided on that point only.

The law respecting the places of contract and delivery has been summed up by Lord Watson in the dictum already quoted. "No merchant exercises a trade beyond the limits of his own country so long as *all contracts and deliveries* are made within these limits." When either contract or delivery is made by a foreign trader in a country other than his own, the decisions referred to require it to be regarded that the trader exercises his trade in that country. Mention must be made of a case decided in the Scotch Court in 1910. (*Crookston Bros.* v. *Furtado.*) In this case it was held (by a majority) that both contract and delivery must take place in this country before a foreign trader can be said to exercise a trade here. In 1912 the same Court had before them a case (*Macpherson* v. *Moore*)

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

in which both contract and delivery were made in the United Kingdom. The foreign trader was held to carry on a trade here. There is little probability that an English Court would repeat the decision in the *Crookston* case, if only for the fact that previous decisions bind the judges in a contrary direction. But, as stated by a judge in the *Macpherson* case, the Revenue could not hope to succeed against Crookston Bros. inasmuch as they were not "agents in receipt of the profits" of their foreign principals. (Now see Income Tax Act, 1918, all Schedules, Rules 5 to 12 on the following pages.)

In *Weiss, Biheller & Brooks, Ltd.* v. *Farmer* (1918), the appellants were an English Company which imported gas mantles from a Dutch manufacturing company, to whom the appellants were sole agents in the United Kingdom. The English Company undertook to sell the mantles at the best possible prices, and were paid a commission and share of profits. Sufficient stock to meet orders was kept in England. The name of the Dutch Company did not appear on the invoices, but brass plates on the appellants' premises showed them to be agents for the Dutch Company. The District Commissioners had held that the Dutch Company were carrying on trade in the United Kingdom through their agents and that the English Company were agents within the meaning of the Income Tax Act, 1918, All Schedules, Rules 5 and 6. The Court held that there was evidence on which the Commissioners could come to their decision, which was therefore affirmed.

When a foreign firm buys goods in the United Kingdom and sells them abroad there is no liability to income tax. (*Sulley* v. *Attorney-General*, 1860.)

There yet remains the question as to how tax is to be collected from a foreign trader. If he comes to the United Kingdom occasionally or has effects here, the assessment may be made on him direct. (*Tischler* v. *Apthorpe*, 1885.) In certain cases the assessment may be made upon the agent, who is then required to pay the duty, and is authorized to deduct it from any moneys of his principal held by him.

Until 1915, the agent could only be assessed, however, when

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

he had "the receipt of any profits or gains" belonging to the foreign trader. (*Grainger* v. *Gough*, 1896.) This was the most important point concerning the assessment of the profits of a foreign trader, for unless the agent had the receipt of such profits the liability of his principal became a dead letter through sheer inability to collect the duty. The effect of this provision was that at least some of the payments for goods sold must have been made to the agent if an assessment on the principal was to be maintained. Important provisions, however, were contained in the *Finance (No. 2) Act*, 1915, and are duly reproduced in the *Income Tax Act*, 1918, as follows—

(1) The law stated above is extended (so far as it relates to the taxation of non-residents)—

(*a*) so as to make non-residents chargeable to Income Tax in the name of any branch or manager as well as in the name of any factor, agent, or receiver; and

(*b*) so as to make non-residents so chargeable, although the branch, factor, agent, receiver or manager may not have the receipt of the profits or gains of the non-residents. (*I.T.A.*, 1918, *All Schedules, Rule* 5.)

(2) A non-resident is chargeable in respect of any profits or gains arising (directly or indirectly) through or from any branch, factory, agency, receivership, or management. He is so chargeable in the name of the branch, factor, agent, receiver or manager. (*I.T.A.*, 1918, *All Schedules, Rule* 6.)

Further Provisions regarding Non-residents Trading with Residents.

Where a non-resident (not being a British subject, or a British Indian, Dominion or Colonial firm or company, or branch thereof) carries on business with a resident person, the former may, in the circumstances now to be stated, be chargeable to Income Tax in the name of the resident person as if the latter were an agent of the former. The circumstances in question are—

That it appears to the Commissioners by whom the assessment

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

is made that (owing to the close connection between the non-resident and the resident, and to the substantial control exercised by the former over the latter) the course of business between the two can be and is so arranged that the business done by the resident produces to him either no profits or less than the ordinary profits which might be expected to arise from the business. (*I.T.A.*, 1918, *All Schedules, Rule* 7.)

Where it appears to the Commissioners (on appeal or otherwise) that the profits of any non-residents chargeable in the name of a resident, cannot readily be ascertained, they may assess the non-resident on a percentage of the turnover of the business done by him through or with the resident. In such a case a return of business done may be required from the resident. (*I.T.A.*, 1918, *All Schedules, Rule* 8.)

The percentage is to be determined by the Commissioners, but the non-resident or resident concerned may within four months require the Commissioners to refer the question of the percentage to a Referee or Board of Referees, appointed by the Treasury. The decision thereupon given is final. (*I.T.A.*, 1918, *All Schedules, Rule* 9.)

A non-resident is not, under these provisions, to be charged in the name of—

(*a*) a broker or general commission agent ; or

(*b*) an agent who is not an authorized person carrying on the non-resident's regular agency, or a person chargeable as if he was an agent merely because of this section. (*I.T.A.*, 1918, *All Schedules, Rule* 10.)

The execution, by a non-resident, of sales or other transactions with other non-residents may not of itself make him chargeable in respect thereof. (*I.T.A.*, 1918, *All Schedules, Rule* 11.)

The effect of Rules 10 and 11, unfortunately, is to penalize regular agencies as compared with casual agencies.

The following right is accorded to a resident in the United Kingdom who is chargeable with income tax on behalf of a non-resident person, in respect of the profits from the sale of goods or

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

produce manufactured or produced out of the United Kingdom by the non-resident person.

He may apply to the Commissioners making the assessment, or may appeal to the General or Special Commissioners, to have the assessment made or amended on the basis of the profits which might reasonably be expected to have been earned by a person who had bought from the manufacturer or producer direct. The said person may be taken to be a merchant, or (where the goods are retailed by or on behalf of the manufacturer or producer) a retailer of the goods sold, who has bought from the manufacturer or producer direct.

On proof to the satisfaction of the Commissioners concerned, the assessment is required to be made or amended accordingly. (*I.T.A.*, 1918, *All Schedules, Rule* 12.)

In *Smidth* v. *Greenwood* (Court of Appeal, 1921) a Danish machine making firm had an office in London in charge of an expert representative. The firm manufactured the machinery in Denmark and contracts with customers were made in Denmark, the machinery being shipped f.o.b. at Copenhagen. The expert resident in the United Kingdom gave British purchasers advice in the erection of the machinery. It was held that the trade was exercised in Denmark because it was in Denmark that the profit-bearing transactions were closed. *Rowlatt, J.*— "It seems to me that in these cases the question is whether the trade which it is sought to tax is exercised in the United Kingdom or outside of it, in the sense that it is supposed to have a single situation, and the question is what that situation is. I do not think that the exercise of trade as mentioned in Schedule D can be said to be in the United Kingdom, with the reservation that it may also take place outside it."

The Court of Appeal further held that the Finance (No. 2) Act, 1915, *s.* 31 (1) and (2), did not extend the charge so as to bring into taxation profits made by non-residents who would otherwise have escaped the payment of income tax. These sub-sections merely provided an improved method of collecting tax from foreign firms with branches in the United Kingdom.

FOREIGN TRADERS AND AGENTS IN THE UNITED KINGDOM—(*contd.*)

General Notes.

When a foreign merchant is held to carry on a trade in this country the whole of the profits which accrue on the sale of the articles here are assessable. He is in exactly the same position as a resident in the United Kingdom who buys or manufactures or imports goods for sale. No deduction may be made in respect of interest on capital, charges for personal management, depreciation of capital, or other expense which would not be admitted in the case of a British merchant.

FOREIGNERS.

Nationality is not a material factor in the consideration of liability to income tax except that British subjects resident abroad are accorded certain allowances. (See under BRITISH SUBJECTS.) The more essential fact is that of residence. A foreigner who is resident in the United Kingdom is assessable under precisely the same rules as a British subject, except, since 1914/15, as regards FOREIGN INCOME (which see). A foreigner who is not resident but whose income arises in this country, is also assessable exactly as a British subject would be in similar circumstances. (See under WAR SECURITIES for certain exceptions.)

The liability of a foreigner is dealt with generally under RESIDENCE, but a brief statement of the law will be made here. First, a foreigner who is in this country is assessable on all he earns here. If he is resident here within the meaning of the acts (as defined under RESIDENCE) he is also assessable on whatever foreign income he receives in this country. (See under FOREIGN INCOME for the rules of assessment.) If he is not deemed to be a resident in the United Kingdom he is not assessable on any *foreign* income received here. Secondly, a foreigner who is abroad is assessable on the full amount of all profits which arise in this country, whether from shares in a company which is deemed to be resident here, from a trade or profession carried on here or from property. He may be assessed in the name of the agent who has the receipt of the profits, and the latter is authorized to deduct any tax so paid from the profits of his principal.

FOREIGNERS—(*contd.*)

A claim to the personal allowances and deductions may not usually be made by a non-resident. Thus, a foreigner who is in this country, but is not a resident, escapes taxation on foreign income remitted here and the War Securities above mentioned, but is not entitled to make a claim to any of the allowances referred to as against any income arising here and therefore assessed. (See under NON-RESIDENTS for the rules in detail and for a few exceptions.)

See also under DOMICILE.

FORESTERS, ANCIENT ORDER OF.

No deduction may be made from an income tax assessment in respect of a payment made to this Order, unless the payment represents a life insurance premium and nothing else, and the particular branch to which it is made is so constituted as to be regarded as a life insurance society.

FREIGHT CHARGES.

Freight charges are allowable as business expenses when they are incurred in the course of trading. Charges in respect of the transport of the owner's machinery, or other portions of his assets, may not be deducted from the profits. Thus, a plantation company which ships new machinery to its estates, must regard the freight charges as a part of the cost of the machinery.

FRIENDLY SOCIETIES.

A registered friendly society which fulfils certain conditions is allowed exemption from income tax—

(1) In respect of property owned by itself (Schedule A);

(2) In respect of dividends or interest accruing out of any public revenue (Schedule C); and

(3) In respect of other interest and of all profits charged under Schedule D.

The conditions referred to are that the society shall be restricted by Act of Parliament, or by its rules, from assuring to any person any sum exceeding £300 by way of gross sum or £52 a year by way of annuity. (*I.T.A.*, 1918, *s.* 39.)

An unregistered friendly society whose income does not exceed £160 is entitled to exemption. (*I.T.A.*, 1918, *s.* 39.)

FRUIT FARMS.

The profits of a *garden* occupied for the sale of the produce are assessable under Schedule B (as other farms), but according to the rules of Schedule D; that is to say, such profits are chargeable on the average system as if they accrued from a trade. (*I.T.A.*, 1918, *Schedule B.*) It is a question of fact whether any particular ground is a "garden" or not. A farm is assessable on the amount of the rent. (See under FARMERS.)

FURNISHED HOUSES.

The profit arising from letting a furnished house is assessable under Schedule D, Case VI, and may be computed on any fair average approved by the local commissioners. The commissioners usually require the returns of such profits to be based on the amount of the year preceding that for which the assessment is to be made, or else on the profits of the year of assessment as ascertained at the end of that year.

From the gross rent received a deduction may be made in respect of the rent paid and of the agent's charges, also of the cost of service supplied, of the upkeep of the furniture, of rates and of house duty. It has been held that no deduction may be made in respect of the rent of another house in which the owner lives while his own is being let furnished. (*Wylie* v. *Eccott*, 1913.)

See also under APARTMENTS; PAYING GUESTS.

FURNITURE.

The cost of the upkeep of furniture *used in a business or profession* may be charged as an expense for income tax purposes, but no deduction may be made in respect of the supply of new furniture or of additions or improvements to the existing stock. If some old furniture is scrapped, however, and is replaced by other articles, so much of the cost of the new furniture as is equivalent to the cost to the present owner of the old furniture may be allowed as an expense of renewal. Furniture is not "plant or machinery" in respect of which an allowance for depreciation may be claimed.

GARDENS.

A garden which is let and occupied with a house is assessable under Schedule A (property tax) in one sum with that house

GARDENS—(*contd.*)

This follows from the general rule of Schedule A (*I.T.A.*, 1918, *Schedule A*), under which liability extends to all lands, tenements, hereditaments, or heritages capable of occupation, and which prescribes the rack-rent as the basis of assessment. No distinction is drawn between a house and the land which is let with it.

The law is rather different as regards liability under Schedule B (*i.e.* to tax on occupier's profit). Schedule B extends to all properties chargeable under Schedule A *except* (among other things) a dwelling-house and the domestic offices thereunto belonging. (*I.T.A.*, 1918, *Schedule B.*) A question arises, therefore, as to whether a garden is included in this exception. This may be answered by a reference to the house duty laws under which all gardens and pleasure grounds (up to one acre in extent) belonging to and occupied with a dwelling-house are regarded as offices of the house and are included in the assessment thereon. (*H.T.A.*, 1808, *Schedule B, Rule* 2.) The Schedule B assessment will be made, therefore, only on so much of the garden as is outside the first acre. House duty will be charged on the annual value of the house, together with one acre of the garden.

A practical illustration may be given. A house and four acres of garden are let for £60, the house alone being worth £40 per annum. The assessments will be as follows—

Schedule A—House and four acres	£60
Schedule B—Three acres, £15 (charged on annual value; see under FARMERS)	15
House Duty—House £40, one acre £5	45

An allowance in respect of the cost of repairs is made from the Schedule A assessment. In ordinary circumstances this is based on one-sixth of the value of the house (including the first acre of garden), and one-eighth of the garden in excess of one acre, *i.e.*

$\frac{1}{6}$ of £45 plus $\frac{1}{8}$ of £15 equals £9 7s. 6d.;

leaving £50 12s. 6d. as the nett assessment under Schedule A. (See under REPAIRS for the rules in detail.)

When the house and garden are let with a farm the assessment may be different, as is shown under LANDS. (See also under MARKET GARDENS.)

GAS WORKS.

The profits arising from gas works are assessed on the amount thereof during the year preceding the year for which the assessment is made. (*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rule* 3.) A note may be made regarding the assessment of a municipal corporation or other local authority, which supplies gas over its district. Such a corporation is assessable in full on its profits just as a trading company would be. No deduction may be made for sinking fund payments or other allocation of the profits, even though required to be made under an Act of Parliament. (*In re Glasgow Corporation Gas Commissioners*, 1876.) Further, the expense of public lighting must be kept quite separate from the receipts and expenses relating to the sale of gas. The former may in no case be allowed as a deduction from the profits of the latter. (*Dillon* v. *Corporation of Haverfordwest*, 1891.) The revenue account must be adjusted as will now be shown.

REVENUE ACCOUNT OF THE X CORPORATION GASWORKS

		£			£
Jan. 1	In Gasometers, 2,000,000 c. ft. at 2s. per thousand	200	Dec. 31	Sold during year—150,000,000 c. ft. at 3s. per thousand	22,500
Dec. 31	Cost of manufacture, management and distribution	20,000	,,	Supplied to Corporation services, 2,000,000 c. ft. at 2s. 6d. per thousand	250
	Balance being profit	2,850	,,	Supplied to Corporation services without charge 500,000 c. ft. ..	—
			,,	In Gasometers, 3,000,000 c. ft. at 2s. per thousand	300
		£23,050			£23,050

INCOME TAX ADJUSTMENT

	C. ft. in Thousands.
Gas sold during the year	150,000
Gas supplied for Corporation Services	2,500
Increased stock during the year	1,000
Manufactured during the year	153,500
Cost of manufacture	£20,000

GAS WORKS—(*contd.*)

Cost applicable to Corporation services—

$$\frac{£20{,}000 \times 2{,}500}{153{,}500} \text{ equals } £325$$

Profit, as in account	£2,850
Deduct receipt from Corporation services	250
	2,600
Add cost of Corporation services	325
Profit for income tax purposes	£2,925

The allowance for the depreciation of plant and machinery used in the concern is a matter for arrangement between the Corporation or company and the revenue authorities, subject to the decision of the local income tax commissioners. (See under DEPRECIATION for the legal provisions on the subject.)

The profits of gasworks are charged under Schedule A, No. III, but the rules of Schedule D apply so far as they are not inconsistent with No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.)

GIFTS.

A gift is not assessable on the recipient, neither may the donor claim any allowance therefor against his income tax assessment. Where, however, the payment is made by an employer to an employee, it is in most cases assessable on the latter, and the former may charge it in his accounts. The rule is explained under BONUSES.

Income which arises from the investment of a gift is assessable in the ordinary way.

The notes made under this heading as regards the assessment of a gift refer also to its inclusion on a claim to allowance or deduction.

See also under ALLOWANCES, CLERGYMEN, and SUBSCRIPTIONS.

BONUS SHARES.

See under SUPER-TAX.

GLASSHOUSES.

Glasshouses are regarded as *buildings*, and are not included in any reference to land. (*Smith* v. *Richmond*, 1899.) The practical inference from this decision is that the allowance for repairs must

GLASSHOUSES—(*contd.*)

be reckoned as one-sixth and not as one-eighth of their annual value. A glasshouse attached to a house is assessable as part of the house for the purpose of both property tax (Schedule A) and house duty.

GOLF CLUB.

A golf club is assessable under Schedule A (property tax) and also under Schedule B (for the supposed profits of occupation) in respect of any land which it is deemed to occupy. The former charge falls on the landlord, and tax so paid may be deducted from the subsequent payment of rent. The latter charge falls on the occupiers. The club has to bear both charges when it owns the land in question. There is no exemption for sporting clubs.

When the concern is managed by a company whose shareholders receive or may receive a dividend on their shares, that company is assessable under Schedule D in respect of any surplus realized. If it should happen, however, that all subscribers are shareholders, and all shareholders subscribers, the company is not assessable on any surplus arising from payments made by the shareholder-subscribers, as trading requires two contracting parties, and here the same persons subscribe and receive the subscriptions.

In the case of a club which has no proprietors save the members, and whose surplus, therefore, if any, must be carried forward to the next year, no assessment may be made under Schedule D save in respect of profits arising from non-members. In *Carlisle and Silloth Golf Club* v. *Smith*, 1913, it was held that the club was assessable in respect of the excess of non-members' subscriptions over the portion of the management expenses attributable to them.

See under FARMERS as regards the Schedule B assessment.

GOOD TEMPLARS.

The note under FORESTERS, ANCIENT ORDER OF, refers also to payments made to any society of *Good Templars*.

GOVERNMENT SECURITIES.

See under WAR SECURITIES.

GRANTS.

As regards payments made to clergymen and ministers, see under CLERGYMEN, ETC. In this and all other cases of grants made to an

GRANTS—(*contd.*)

individual, that individual is assessable therefor if they are made substantially in respect of any office or employment held by him.

A grant made by a person or company may only be charged as an expense in its accounts if it is incurred in the course of trading and for the purpose of earning profits. A grant to a former employee or to the family of a former employee may be charged as an expense similar to the payment of wages.

If a charitable institution which is exempt from income tax makes a grant to an individual in respect of an office or employment held by him or pays an annuity to an individual, that individual is assessable on the amount received notwithstanding that the institution is exempt. If, on the other hand, the grant is made out of income already taxed, the recipient is still liable to assessment on the amount received.

An individual receiving full-time instruction at an educational establishment, is exempted from tax in respect of income arising from any grant in the nature of an educational endowment (scholarship or bursary). (*F.A.*, 1920, *s.* 28.)

See also under ANNUITIES ; GIFTS ; GRATUITIES ; SUBSCRIPTIONS.

GRATUITIES.

A gratuity is a voluntary payment made in respect of services rendered or assumed to be rendered. As such, it is assessable to income tax on the recipient. The fact that the payment is a voluntary one is not material, as has been shown with regard to Easter offerings. (See under CLERGYMEN.)

A trader may charge as an expense in his accounts any gratuities paid in the ordinary course of his trading, *e.g.* tips to carmen, Christmas gifts to his employees, etc.

In *J. W. Smith* v. *Incorporated Council of Law Reporting for England and Wales* (1914), the District Commissioners of Taxes allowed the Council to deduct as a trade expense the amount of a gratuity granted to a retiring reporter. It was held that this was a question of fact and that, as there was evidence on which the deduction might be allowed, the Commissioners' decision could not be impugned. Scrutton, J.: "If the facts stated are such that it is not possible to come to a conclusion of fact, the Court

GRATUITIES—(*contd.*)
is not bound by the conclusion of fact which the Commissioners have found with no evidence to support it ; but if the facts stated are such that you may come to one conclusion or the other, the fact that the Court itself would have come to a different conclusion from that which the Commissioners have come to, is no reason for disturbing the decision of the Commissioners. . . . There may be cases where it is clear even to a judge who knows nothing about the trade, that a particular judgment could not be wholly or exclusively laid out for the purposes of the trade. I do not desire to go into politics, but I take examples which seem to me fairly clear. Payments for political purposes might conceivably be for the purposes of trade. It might be that a payment by a company to the Tariff Reform League might be of great advantage to its trade. It might be that a payment by a company to a political party which was supposed to be identified with the interests of a particular trade might be to the advantage of the trade ; but one can easily imagine cases such as a payment by a company to the National Service League, where it would be impossible to conceive that anybody could find that such money was wholly or exclusively laid out or expended for the purposes of the trade. . . . I cannot help seeing that there is evidence upon which the Commissioners, judging facts, may find that those payments were made in the way of their trade. because they at any rate may affect the amount of ordinary salary which they pay to their reporters. . . . It is immaterial in my view to consider whether I should have come to the same conclusion, because if there is evidence on which the Commissioners can decide this question of fact, they are the persons to decide the question of fact, and not a judge of the High Court. They have, in my view, decided the question of fact, there is evidence on which they could have decided it ; their decision of fact, there being evidence on which they could have decided it, is not a question of appeal. In my opinion, therefore, the appeal fails, and should be dismissed with costs."

In *Hancock* v. *General Reversionary and Investment Company* (High Court, 1919) it was held that, in computing the profits of the Company for a particular year, a deduction was legally made in

GRATUITIES—(*contd.*)

respect of a sum expended in that year in purchasing an annuity for a retiring officer.

See also under SUBSCRIPTIONS, and SALARIES FREE OF TAX.

GRAZIERS.

A grazier is assessable on his average profits according to the rules of Schedule D. Where, however, he is the legal occupier of any lands he is assessable (*a*) under Schedule B on double the amount of the annual value of the lands, and (*b*) under Schedule D, Case III, on any profits made in the preceding year in excess of the amount charged under Schedule B. (*I.T.A.*, 1918, *Schedule D, No. III, Rule* 4.) A grazier is deemed to be the occupier of any land rented by him for a full year. Where he uses land under an eleven months' agreement, he is not the occupier. In this case the owner or lessor is assessable under both Schedule A and Schedule B, and the grazier is assessable as stated in the opening sentence of this note.

In the cases *McKenna* v. *Herlihy* and *Woodburn* v. *Herlihy* (High Court (Ireland), 1920) the Appellants, who were breeders and buyers of cattle, rented land for grazing on what is known as the eleven months' system, the tax on such lands both under Schedules A and B being assessed upon and paid by the owner. It was held that the Appellants were chargeable in respect of their profits under Schedule D. Case VI. Gibson, J.—"The contract, in a printed standard estate form, purports to operate on three lots in the occupation of Lord Cloncurry. The proposal was only for agistment, grazing or temporary depasturage; the lands were to continue to be in Lord Cloncurry's sole occupation; there was to be no contract of tenancy or relation of landlord and tenant; the land was to be used for grazing purposes only; McKenna was to undertake all herding; and Lord Cloncurry was to continue to pay all poor rate, county cess, and all other taxes which might be charged on the lands. The bulk sum payable by McKenna was to be paid in September; the cattle were to be removed before the end of November."

GROUND RENT.

No deduction is made from an assessment on property, in respect of any sum paid away as ground rent. The leaseholder is authorized,

GROUND RENT—(*contd.*)

however, to deduct a proportionate amount of tax in respect of all such payments, and in this manner he recoups himself. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rules* 4, 5.) Thus, if the nett assessment on his house is £35 and the ground rent payable is £5, he pays tax (through the occupier) on £35, but receives tax on £5 by deducting it from the ground rent.

In *Barnes* v. *Kyffin* (1916), it was held that tax is not legally deductible from ground rent before the lessee has himself paid tax to cover. This practice remains as before, however (*i.e.*, to deduct tax from each payment)

Tax is deducted at the rate of duty or proportion of several rates of duty in force during the time over which the ground rent accrued. (*I.T.A.*, 1918, *All Schedules, Rule* 9*; Schedule A, No. VIII, Rules* 1, 4.) For example, the rate in force to 5th April, 1922, was 6s. 0d., and from that day it was decreased to 5s. 0d. If the leaseholder paid six months' ground rent up to the end of June, 1916, he was entitled to deduct tax as follows—

	s.	d.
1st quarter—£2 10s. less tax at 6s. 0d. equals	15	0
2nd ,, —£2 10s. ,, 5s. 0d. ,, ...	12	6
Amount paid, £5 less	£1	7 6

Deduction is always made at the standard rate of tax in force even though payer or recipient is liable at half rate only.

All contracts and agreements for the payment of ground rent without the deduction of tax are declared to be void. (*I.T.A.*, 1918, *All Schedules, Rule* 23.) Large penalties may be imposed for any refusal to allow the deduction. The Acts contain no provision authorizing the ground landlord to demand the production of the income tax receipt, and the Court of Appeal in *North London and General Property Co.* v. *Moy* (1918) held that the receipt need not be produced.

HALLS.

A hall is assessable to income tax just as any other building is assessable. Its annual value, that is, the amount for which it is let or worth to be let at rack-rent, is the basis of assessment, and a deduction of one-sixth is made for repairs. When a hall is not

HALLS—(*contd.*)

permanently leased, but is let for occasional purposes only, the amount that might reasonably be expected to be received from sub-lettings over a whole year, less the expenses of cleaning, warming and lighting, should provide a satisfactory basis of assessment.

See under RELIGIOUS BODIES as regards halls used for religious purposes ; see also under CHARITIES.

It should be noted that every hall that may lawfully be charged with any other taxes or parish rates, is assessable to house duty. (*H.T.A.*, 1808, *Schedule B, Rule* 5.)

HIGH COURT APPEALS.

Appeals against assessments are decided in the first place by the local commissioners of taxes (see under APPEALS) or by the special commissioners. (See under SPECIAL COMMISSIONERS.) When either the person assessed or the inspector of taxes (as representing the Crown) is dissatisfied with the determination of the commissioners as being erroneous in point of law, he may require the case to be carried before the High Court (Exchequer Division). If either party is dissatisfied with the decision of this court he may appeal to the Court of Appeal and thence to the House of Lords. In Scotland the case is taken in the first instance to the Court of Session sitting as a Court of Exchequer. (*I.T.A.*, 1918, *s.* 149 *and s.* 235.)

The essential considerations to this right of appeal are (*a*) that it must be from an original appeal, (*b*) that such original appeal may be objected to only on a point of law and not on a question of fact, and (*c*) that the objection must be expressed and a case stated and transmitted as the law requires.

First, the proceedings must have originated in an appeal. No assessment may be quashed except in this manner. It has been held that a Petition of Right does not lie to obtain repayment of tax paid under Schedule A and under Schedule D also. The judge remarked that " they ought to have appealed against the assessment." (*Holborn Viaduct Land Co., Ltd.* v. *Regina*, 1887.) Further, no case for the High Court may be demanded in respect of any application for repayment of tax on the ground of loss (*Bruce* v.

HIGH COURT APPEALS—(*contd.*)

Burton, 1901), or for the adjustment of an assessment on a business which is new or which has ceased. Such applications may conveniently be known as appeals for common purposes, but they are not appeals which may be carried to the High Court.

Secondly, a case may only be stated on a matter of law. The commissioners may not find as a fact what is in reality a matter of law, and so prevent an appeal from their finding. If they refuse to state a case on this ground a mandamus may be applied for, but of course it would remain to be proved that the commissioners were wrong. It is not easy to draw a rigid distinction between matters of law and fact. A judge has remarked that " the proper inferences to be drawn from admitted facts may involve legal considerations." (Lord President in *Scottish Provident Institution* v. *Allan*, 1901.) The general distinction may be illustrated by an example. In certain circumstances a taxpayer may appeal for the adjustment of an assessment because the profits have fallen short owing to a " specific cause." In the case of a person appealing under the provision referred to and advancing as a " specific cause " of loss, the fact that his business was transferred from one street to another, the law must be construed as follows—

(1) The question whether the business was in fact transferred is one of fact for the local commissioners' determination.

(2) The question whether the profits fell short because of that transfer is likewise one of fact for the determination of the local commissioners.

(3) The question whether the transfer of the business was a " specific cause of loss " within the meaning of the Act is one of law, and an appeal would lie from any determination of the local commissioners on this matter.

There is one qualification to the above statement. The judges have always reserved themselves the right of determining whether there was evidence in support of the commissioners' decision on a point of fact. They do not weigh this evidence, but look to see whether it was there. It must be admitted that under this reservation the Courts often determine what appears to a layman to be a pure matter of fact.

Thirdly, the requirements of the Act must be regarded with

HIGH COURT APPEALS—(*contd.*)

respect to the time and manner of raising the objection. Dissatisfaction with the commissioners' determination must be expressed immediately upon the determination of the appeal. This obviously means during the same sitting of the commissioners and before any other business is transacted. Having declared dissatisfaction in this manner, the person aggrieved has twenty-one days within which to consider the matter. If he decides to persist with his objection he must, within that time, give written notice to the clerk to the commissioners requiring the commissioners to sign and state a case for the opinion of the High Court thereon. He must pay twenty shillings to the clerk before being entitled to have the case stated. The case will contain a full recital of the facts and determination, and the higher courts will not hear evidence or consider facts not included in the case. It must be transmitted to the High Court within seven days of receiving it, and a copy must previously or at the same time be sent to the other party.

Until the matter is determined by the court, the decision of the commissioners holds good and duty must be paid on that basis. If the court reduces the assessment the excess will be repaid by the Crown with interest if allowed by the High Court ; if the assessment is increased the subject must pay the difference.

It has been held that the expenses necessarily incurred in preparing and settling a draft case (before signature by the commissioners) may properly be allowed, on taxation, to the successful party on the appeal. (*Lord Mayor, etc., of Manchester* v. *Sugden*, 1903.) It will be seen from this that it is usual for both parties to be given an opportunity of suggesting alterations in the case as originally drafted before it is finally stated and signed by the commissioners.

HIRE PURCHASE.

In *Darngavil Coal Co., Ltd.* v. *Francis* (1913), a coal company entered into an agreement with a waggon company under which, in return for ten annual payments, the waggon company undertook to supply the coal company with a certain number of waggons, and to keep such waggons in good repair and at their own risk until the end of the ten years, when the coal company should have the

HIRE PURCHASE—(*contd.*)

option to purchase the waggons at the nominal price of one shilling for each waggon. It was held that the annual payments include a consideration for the use of the waggons and a further consideration for the option to purchase. The former consideration, but not the latter, should be charged in the coal company's accounts as a trade expense. A scheme has been adopted, a copy of which will be supplied by the Inspector of Taxes, and need not be repeated here.

HOMES, CHARITY.

A charity home may be allowed exemption as an ALMSHOUSE (which see). This term is very wide, but even if a particular home is not within the term, it may yet be able to claim exemption in respect of so much of its income as is "vested in trustees for charitable purposes, so far as it is applied to charitable purposes." The scope (extended by the *F.A.*, 1922) and method of claiming this exemption are dealt with under CHARITIES.

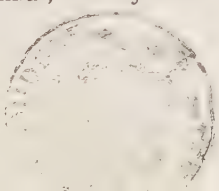
HORSES.

A trader's horses are usually regarded as "implements, utensils, or articles employed for the purposes of" his trade. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*d*).) Unless they are so regarded, they fall within the description of "capital," and as such no allowance could be made for any expense incurred by their death or replacement. Regarded as articles employed in the business, the cost of their "supply, repair, or alteration" may be charged as a trade expense (with the verbal alterations necessary in applying the provision to living things), but not beyond the sum usually expended for such purposes according to an average of three years preceding the year of assessment. That is to say, in each of the three years' accounts on which the assessment is based (see under AVERAGES) the cost of providing horses for trade purposes may be charged as an expense. This cost must, of course, be limited to the maintenance of the stock of horses at the level of value already reached. Any expense beyond this must, for income tax purposes, be charged to capital.

HORSES—(*contd.*)

A fair method of making this adjustment is to add to the profit any sum by which the value of the horses has been increased during the year out of profits, or to deduct from the profit any sum by which the value has been decreased. In ascertaining this value no deduction may be made for depreciation, but the fluctuation in value will vary with purchases on the one hand and sales or deaths on the other.

In *Derby* v. *Aylmer* (1915), it was held that the allowance granted by the *Income Tax Act*, 1918, *Schedule D, Cases I and II, Rule* 6 (page 208), does not extend to a horse kept for breeding purposes, which becomes of less capital value each year it lives. Rowlatt, J., said : " The horses will only last eighteen years ; at the end of eighteen years they will be dead and worth nothing ; and the appellant seeks to have something allowed him to represent that loss which is going on all the time, tending to counteract the profits which he receives. . . . All I am asked to decide here is whether Lord Derby brings this case within the words—when I say ' words,' I mean the words and true meaning—of Rule 6 of Cases I and II. Now, those words authorize such deduction as the Commissioners may think just and reasonable as representing the diminished value by reason of wear and tear during the year of any machinery or plant. Now, that applies to plant which has a diminished value by reason of wear and tear during the year. It applies to plant, the use of which in the business by wearing it out diminishes its value at the end of the year ; and, of course, it is perfectly plainly applicable to anything like machinery which is being worn out by the use and which but for the use, apart from the access to it of deleterious influences such as rust or anything of that kind, would remain undiminished in value—apart from that and apart from the change of fashion. That is the sort of thing that the scheme of the Act applies to, and I think that when you are considering the word ' plant,' you must bear in mind that it must be plant which has a diminished value after a year by reason of wear and tear during the year. I do not know whether a horse used for traction comes within that or whether it does not, but I am clearly of opinion that the diminished value of a breeding animal, merely due to the fact



HORSES—(*contd.*)

that having lived a year it is a year nearer its end, and therefore is from that point of view less valuable, is not within this section."

See also under FARMERS.

HOSPITALS.

A hospital is exempt from income tax under Schedule A (property tax) in respect of its public buildings, offices, and premises not occupied by any individual officer whose income amounts to £150, or by any person paying rent for his quarters. It is also allowed exemption in respect of any rents belonging to it and vested in trustees for charitable purposes, so far as they are applied to charitable purposes. The former exemption may be allowed by the local general commissioners; the latter, by the special commissioners, who may also issue a certificate authorizing repayment. (*I.T.A.*, 1918, *s.* 37 (*a*) *and s.* 40.)

See also under CHARITIES for extended exemptions under Schedules A, B and D.

Two cases have been taken to the Courts with reference to the scope of these provisions, and with special reference to lunatic hospitals, some of whose patients paid for the accommodation and services provided for them. The cases are cited under ASYLUMS, and it will be found that, to be exempt, a hospital must have a substantial charitable endowment or be in substance supported by charity. But any surplus realized on paying patients is assessable under Schedule D whether exemption is allowed under Schedule A or not. (*St. Andrew's Hospital* v. *Shearsmith*, 1889.)

Exemption may also be claimed as regards house duty, the requirements for this purpose being the same as for a claim to exemption from income tax under Schedule A.

HOTELS.

An hotel is assessable to income tax under the rules relating to trades. If the proprietor resides on the premises he may not charge more than two-thirds of the rent as a trade expense unless the Commissioners consider that the facts require a larger allowance (*I.T.A.*, 1918, *Schedule D, Case I and II, Rules* 3 (*c*) *and* 13 as amended by *F.A.*, 1921, *s.* 31), and a similar restriction is made with respect

HOTELS—(*contd.*)

to a deduction for local rates. That portion of the cost of lighting, heating, and service which relates to the residence of the proprietor and his family should be added to the profit for income tax purposes, as should also the cost of any food consumed by the persons. The expenses disallowed under these headings will depend on the facts of each particular case. In other matters the general rules for the adjustment of accounts for income tax purposes, given in Chapter II, may be followed without need of special comment.

The house duty assessment is made on the lower scale (2d., 4d., and 6d. in the £ according as the annual value is between £20 and £40, £40 and £60, or above £60). See also under STABLES as to their inclusion in the house duty assessment.

Hotels regarded as licensed premises, are dealt with under LICENSED PREMISES.

HUSBAND AND WIFE.

The Income Tax Acts had to do with the husband rather than with the wife until 1914. The income of a married woman living with her husband was deemed to be the husband's income, and was chargeable in his name. That is to say, the responsibility for meeting the income tax liability thereon rested with him, as did also the responsibility for making the statutory returns.

Spinsters and widows were and still are chargeable in their own names, likewise a married woman who is separated from her husband. If a woman's husband was absent from the United Kingdom, whether temporarily or not, she was assessable in her own name for any income remitted to her from her own foreign property and as her husband's agent for any income remitted from or through him or from his property. (*I.T.A.*, 1918, *All Schedules*, *Rule* 16.) That section did not refer to *her own* income within the United Kingdom, having first been passed into law in 1842 before the Married Women's Property Acts. But the provision referred to in the preceding paragraph left all married women not living with their husbands to be charged in their own names. No case has been taken to court as to the exact meaning of "living with," and it cannot be stated authoritatively whether the strict view should be taken that a wife "lives with" her husband unless she

HUSBAND AND WIFE—(*contd.*)

is legally separated from him. The Commissioners will usually decide the matter on the facts without insisting on the necessity for a legal separation.

Returns by Husband and Wife.

Under the Income Tax Act, 1918, ss. 8, 31, 171, and all Schedules, Rules 16 and 17 (as amended by *Finance Act*, 1919, *s.* 26), the rules are as follows. A husband may be chargeable for his own profits and a wife for her own. Either may be required to make returns and to pay the tax charged. To facilitate collection, the Commissioners of Inland Revenue may require returns under penalty, and a husband may (after seven days' notice) be distrained on if his wife neglects to pay duty assessed on her profits. But the provisions stated in this paragraph apply only where application for the purpose is made to the Commissioners of Inland Revenue (by the husband or the wife) within six months before 6th July in the year of assessment, or, in the case of persons marrying within the year of assessment, any time before 6th July in the following year.

Although either may claim the allowances formerly claimed by the husband only, the total amount of the allowances remains undisturbed. They are determined (with the single exception stated below) by the aggregate income of husband and wife. The personal allowances and deductions are granted in proportion to the respective *assessable* incomes of husband and wife, and the earned income relief in proportion to the respective *earned* incomes. The life insurance allowance is made to the person paying the premium, or proportionately ; and the deductions for adopted child or dependent relative are given to the person supporting the child or relative. Where Section 31 has been adopted, the husband's goods may be distrained on for the wife's arrears after seven days' notice. The wife's goods may also be distrained on or she may be proceeded against. (See the full example in Chapter V.)

General.

The law with regard to super-tax is similar to the income tax law stated above. (See Chapter XIII as to this.)

A woman's income for the year in which she is married is divided

HUSBAND AND WIFE—(*contd.*)

into two parts. From the preceding 6th April to the date of marriage her income is regarded as her own, and she may claim any allowance or deduction as if that were her total income for the whole financial year. From the date of marriage to the succeeding 5th April, her income is regarded as her husband's, subject to the rules stated above in respect of the income of a married woman. (See also under WIDOWS as to the income of a married woman for the year in which her husband dies.)

In *Purdie* v. *The King* (1914), a married woman living with her husband sought, by Petition of Right, to recover the Income Tax deducted from dividends and interest on shares and bonds of which she was the registered proprietor and holder for her sole and separate use.

The reason advanced was that the suppliant, being a married woman living with her husband, could not be charged with Income Tax which, under the *Income Tax Act*, 1918, *All Schedules*, *Rule* 16, should be charged on her husband. Having been charged by way of deduction, she sought repayment.

The petition was dismissed.

Rowlatt, J. (after explaining the machinery by which tax is charged on persons, etc., paying the dividends and interest under Schedules C and D): "Strictly speaking, therefore, the suppliant has not been charged with Income Tax at all in respect of her interest and dividends. The charge is imposed upon the agents who pay the interest and upon the company which pays the dividends, and the agents and the company have to pay the amount of the Income Tax to the Crown in respect of that charge. The suppliant has been misled by the provisions of *Rule* 16. That section consists of the enacting part and two provisoes. It is a frequent source of error to take a proviso and treat it as a substantive enactment; a proviso is something which limits the apparent generality of the enacting part. When this section is read through, it is in my opinion quite clear. It says (the learned Judge read the section): The enacting part, therefore, says that a married woman shall be charged exactly as if she were sole. If she carried on a separate business she would be assessed and charged; and if she were in receipt of dividends or interest she

HUSBAND AND WIFE—(*contd.*)

would be assessed and charged or would suffer deduction of the tax at the source. Those are the two ways in which she would have to bear the burden of the Income Tax. Then comes the proviso. It is true that the word 'charged' may be wide enough to include the case of deduction from dividends and interest, and the suppliant pointed out a section in which the word is used in that large sense. But the framework of this section shows clearly to my mind that this proviso is dealing only with a charge made in the name of the taxpayer, that is to say, when he is assessed, because if it were extended to the case where Income Tax is only deducted it would become nonsensical. The suppliant contends that this Income Tax ought to have been charged in the name of her husband ; but that clearly cannot be so, because it is of the very essence of deduction of Income Tax that the person entitled to the dividends or interest cannot himself be charged, as I have pointed out, but that it is charged upon the company or agents who pay the dividends or interest and make a deduction in respect thereof."

HYDROPATHIC INSTITUTIONS.

Such institutions are assessable as hotels and are entitled to be charged on the lower house duty scale (see under HOTELS), although they may be conducted under rules drawn up with regard to the medical needs of the patients.

IMPLEMENTS.

A trader may charge in his accounts the expense of supplying, repairing or altering implements, utensils or articles employed for the purposes of his trade, but the charge must be limited to " the sum usually expended for such purposes according to an average of three years preceding the year in which such assessment shall be made." (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*d*).) The restriction seems to imply no more than that the charge must simply be the amount usually required to maintain the utensils in a satisfactory condition. As the trader's return will be based on his average profits the average expense will naturally be charged.

Implements would appear to include small tools, axes, a printer's type, etc., which may be said to be used *in* the business rather than

IMPLEMENTS—(*contd.*)

that the business is carried on *with* them. Even wheelbarrow, as laundry man's hampers, a contractor's carts, and similar articles which are constantly repaired and replaced, would be within the term. The Income Tax Acts strictly refuse the allowance of any expenditure on account of the capital of a business, yet a deduction for the supply of implements is specifically mentioned as allowable. The inference is that the implements referred to are not of a sort which form part of the capital of a business in any real sense. The enactments under which an allowance is made for the wear and tear of plant and machinery distinctly assume that the expense of the renewal, improvement or reinstatement of such plant, etc., is a capital expenditure. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rules* 6 (3), (4), (6).) Obviously, therefore, implements and utensils are something very different from plant and machinery. They must be articles whose loss by wear and tear is perpetually being made good by new supplies, and the cost of such supplies may be charged as an expense of trading. (See under DEPRECIATION as regards plant and machinery.)

IMPROVEMENTS.

Expenditure incurred in the improvement of business premises is specifically mentioned in the acts as one which may not be set against profits for income tax purposes. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*d*).) Without this prohibition, however, the rules of the Income Tax Acts clearly indicate that all improvements must be set against capital. Even alterations (except of utensils, see under the previous heading) are sometimes included with improvements in this connection, *i.e.* when a trader alters his premises or fittings with the idea of improving them in some way or another.

A railway company purchased a section of a line from another company, and expended certain money in improving it. It also substituted heavy rails for lighter ones on the main line. (*Highland Railway Co.* v. *Balderston*, 1889.) Neither of these expenses was allowed to be set against revenue. The Lord President remarked: "Now that is a material alteration and a very great improvement . . . and so stated is surely a charge against capital." This ruling would extend to all classes of assets.

INCOME.

All income is assessable to income tax (1) if it arises in the United Kingdom, or (2) if it is received in this country by a resident (sometimes even though not received—see under FOREIGN INCOME). But "income," under the taxing Acts, does not always mean the same as "income" for ordinary purposes. The various questions which arise in this respect are dealt with under appropriate headings, of which the following notes may afford some indication.

Property is charged according to its annual value. (See under PROPERTY.) Lands occupied for husbandry are also charged under Schedule B on the annual value. (See under FARMERS.) Interest is chargeable as such. (See under INTEREST.) Profits are assessable if they are profits within the meaning of the acts. (See under PROFITS.) Certain rules have been elaborated as to what constitutes trading. (See under TRADES.) Capital expenses may not be set against income. (See under CAPITAL.) Many deductions which a trader may make are inadmissible for income tax purposes. (See under DEDUCTIONS.) See also under ALLOWANCES and FOREIGN INCOME.

INCOME TAX.

Income tax is not regarded as a trade expense, but as a charge personal to the individual to whom the income belongs. (*Ashton Gas Co.* v. *Attorney-General*, 1906.) No deduction may be made in a trader's accounts in respect of this charge, and if a company has set income tax against its profits, the amount thereof must be added back in estimating the amount assessable. It is on account of this rule that the income which a person is reckoned to receive from dividends or out of property is the amount received plus income tax. This is explained under DIVIDENDS.

Foreign or colonial taxes charged against profits may be set against the amount assessable in the United Kingdom. They should be included in each year's accounts and not be deducted from the average. (*Stevens* v. *Durban-Roodepoort Gold Mining Co., Ltd.*, 1909.)

See also under MANAGER'S REMUNERATION.

INCREASE OF SALARY.

An increase of salary is immaterial to the assessment of the year during which the increase occurs, in all cases where the assessment has been based on the average income of the preceding years. Where the employee has been assessed under Schedule E on the current year's salary, an additional assessment should be made in respect of any increase during the year. (*I.T.A.*, 1918, *Schedule E, Rule* 5; *5th Schedule, No. XIV.*) See under EMPLOYEES as to assessment on average or otherwise.

INDEMNITY.

An indemnity received in the course of trade is assessable to income tax, but not an indemnity received on account of the stoppage of trade. Similarly a subscription paid to secure payment of an indemnity in the event of trade being stopped may not be charged against profits. (*Rhymney Iron Co., Ltd.* v. *Fowler*, 1896.)

If a loss is incurred but is made good under an insurance or contract of indemnity, such loss may not be charged for income tax purposes. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*k*).)

See also under COMPENSATION and DAMAGES.

INDUSTRIAL AND PROVIDENT SOCIETIES.

A registered industrial and provident society is exempt from income tax under Schedules C and D, unless it sells to persons not members thereof, *and* the number of its shares is limited by either its rules or its practice. (*I.T.A.*, 1918, *s.* 39 (4).)

Schedule C includes dividends and interest arising from any public revenue, whether British or foreign. Schedule D includes all trade profits (including dividends not falling under Schedule C) and interest. A society is liable to tax under Schedule A (for property owned) and Schedule B (for lands occupied). The exemption does not extend to a society's directors or employees.

INFANTS.

See under MINORS.

INHABITED HOUSE DUTY.

This duty is included on the demand note for property tax, and an outline of the law on the subject may be found useful.

(1) The charge is upon inhabited dwelling-houses whose annual

INHABITED HOUSE DUTY—(*contd.*)

value is not less than £20. The term includes a house or building which is slept in at night and a dwelling-house furnished ready for use when required. (See under ANNUAL VALUE.)

(2) For the purpose of assessment a house is reckoned to include a coach-house, stable, wash-house, dairy and other offices occupied therewith and not exceeding one acre of garden. A shop or warehouse attached to a dwelling-house or having communication therewith is also included.

(3) The following premises are exempted: (*a*) Market gardens and nursery grounds; (*b*) Warehouses on wharves and other warehouses which are distinct and separate buildings employed solely for lodging goods or carrying on some manufacture; (*c*) Crown property; (*d*) Hospitals, charity schools, and almshouses provided for the reception or relief of poor persons; (*e*) Business premises not having internal communication with any premises liable to house duty.

(4) Rates of duty.

Where the annual value is £20 but does not exceed £40 – 3d. in the £
,, ,, ,, exceeds £40 ,, ,, ,, £60 – 6d. ,,
,, ,, ,, ,, £60 – 9d. in the £.

A lower scale of charge is provided for certain premises, in respect of which 2d., 4d., and 6d. should be substituted for 3d., 6d., and 9d. respectively in the above statement. The premises in question are dwelling-houses which are also shops, licensed premises, farmhouses, hotels, inns, and coffee-houses.

(5) Where a house, so far as it is used as a dwelling-house, is used for the sole purpose of providing separate dwellings, it is required to be charged in one sum, but excluding the annual value of any dwellings below £20, charging dwellings of an annual value between £20 and £40 at 3d., charging dwellings of an annual value between £40 and £60 at 6d., and dwellings of a larger annual value at 9d.

(6) House duty is chargeable on and payable by the occupier. (See also under FLATS and LANDLORDS.) The general rules of assessment, appeals, collection and distraint are the same for house duty as for income tax.

Specimen assessments will be found in Chapter VIII.

INNER RESERVE FUNDS.

Sums taken from profits and added to inner reserve funds may not be charged against profits for income tax purposes. Similarly sums taken from inner reserve funds to meet a charge which the income tax acts would allow to be made against profits may be set against profits for income tax purposes. The fact that the fund is an inner one is not material. (See under RESERVES.)

INNS.

See under HOTELS and LICENSED PREMISES.

An inn is chargeable to house duty on the lower scale.

INSANE PERSONS.

The trustee, guardian, tutor, curator, or committee of any idiot or insane person, having the control and management of the affairs of such person, is chargeable in the same manner and for the same amount as that person would be if he were capable of acting for himself. The trustee, etc., is answerable for making the returns and for paying the duties charged just as he is on his own account. (*I.T.A.*, 1918, *All Schedules, Rules* 4, 5, 13, *s.* 103.)

INSCRIBED STOCKS.

Stocks which are inscribed upon the books of the Bank of England are in the same position as other stocks, except that no dividend voucher is issued to the owner, and that the authorities do not call for any document in support of a claim for the return of tax deducted from dividends on such stock. Full particulars of the holding must be given in the space provided on the repayment claim form.

See also under WAR SECURITIES.

INSPECTION OF PREMISES.

Where no return is made as to the annual value of lands or property assessable under Schedule A, or where a return is made but is not satisfactory, the local commissioners have power to make an order for their assessors or for an inspector of taxes, with a person of skill, to view and examine the lands or property, after two days' notice, "at all seasonable times in the daytime." (*I.T.A.*, 1918, *s.* 116.)

For inhabited house duty purposes the officials referred to above have power at all seasonable times to view any dwelling-house.

INSPECTION OF PREMISES—(*contd.*)

They may pass through any house, yard or premises. (*H.T.A.*, 1803, *s.* 60.) The inspector of taxes or the assessor is also required to be admitted at all times in the daytime, to inquire and to examine into the uses to which a house has been put when the occupier has made a claim to exemption on the ground that the premises are used for business purposes only. (*H.T.A.*, 1817, *s.* 2.)

INSTALMENTS, PAYMENT OF TAX BY.

The rules under this subject may be tabulated as shown below.

Tax under Schedule C is deducted before the income concerned is received by the persons entitled thereto.

All instalments are equal in amount, except in the case of quarterly assessments which refer to the quarter's income. (See page 401.)

Schedule.	*One payment on 1st January.*	*Two payments on 1st January and 1st July.*	*Four quarterly instalments.*
A		In all cases, except concerns under Schedule A, No. III (mines, quarries, etc.), as regards which refer to Schedule D below.	
B	All cases not described in the next column.	Individuals and firms who occupy the lands for purposes of husbandry only.	
D and Schedule A, No. III	All cases not described in the next column, including— all companies, societies, bodies, etc. ; all persons charged for unearned income, such as interest, foreign income, etc.	(1) Any individual or firm who carries on any trade, manufacture, adventure or concern in nature of trade. (2) Any individual or firm who exercises any profession or vocation. (3) Any employees not described in the next column.	All weekly-wage earners employed by way of manual labour.
E		All cases not described in the next column.	do.

INSURANCE COMMISSIONS.

Insurance commission agents are assessable as employees of their company. (See under EMPLOYEES.) A person who is not an agent but who receives an occasional commission is assessable therefor, but not on commission granted in connection with a policy on his own life. Such commission is in effect a reduction of the premium.

INSURANCE COMPANIES.

The profits of an insurance company must be estimated according to actuarial valuations, but when these valuations have been made the profits are assessable on a three years' average like any other profit of trade.

Numerous cases have been taken to court as to the proper basis of assessment, and the following are the most important of the decisions arrived at. When a company kept separate accounts for various branches of its business (*e.g.* the fire, marine and life branches) the profits were still assessable in one sum on the aggregate or balance of profit of the whole concern. (*Last* v. *London Assurance Corporation*, 1885)—see below, however, as regards the separate treatment of life assurance business. All untaxed interest is assessable as such, even though the company has already borne tax on an amount larger than the balance of its profits. (*Clerical, Medical, and General Life Assurance Society* v. *Carter*, 1889; *Revell* v. *Edinburgh Life Insurance Company*, 1906)—see below, however, as regards an allowance for expenses of management. Where a company was compelled by foreign law to have investments in a country in which it traded, the interest on such investments formed part of the company's profits and should be included in the company's assessment whether it was received in this country or not. (*Norwich Union Fire Insurance Co.* v. *Magee*, 1896.) This rule is extended to the interest on investments not made under compulsion but by choice. (*Liverpool and London and Globe Insurance Co.* v. *Bennett*, 1914.) Annuities paid by a company under contract are not paid out of the profits of the company, that is to say, they are paid as a trade expense and must be charged as such before the balance of profit can be arrived at. The company is still required, however (*I.T.A.*, 1918,

INSURANCE COMPANIES—(*contd.*)

Schedule C, Rules other than B. of E., Rules 1, 3), to deduct tax from such annuities and to pay it to the revenue. (*Gresham Life Assurance Society* v. *Styles,* 1892.) A mutual insurance company which issues participating policies is not assessable if the members (or shareholders) of the company are identical with the holders of the policies. If there are two distinct bodies the surplus should be assessed. (*Styles* v. *New York Life Insurance Co.,* 1889 ; *Equitable Life Assurance Society* v. *Bishop,* 1900.) In assessing a life insurance company, regard must be paid to the risks which are covered by the premiums received but which are still unexpired. (*Last* v. *London Assurance Corporation,* 1885.) A similar allowance must be made in the case of a fire insurance company. (*Sun Insurance Office* v. *Clark,* 1911.)

Assurance Companies and Investment Companies.

The *Income Tax Act,* 1918, *Schedule D, Cases I and II, Rule* 15, contains the following provisions—

(1) The life assurance business of an assurance company shall be treated as a separate business from any other class of business carried on by the company.

(2) In ascertaining whether an assurance company has sustained a loss in connection with its life assurance business, for purposes of the *Income Tax Act,* 1918, *s.* 34 (page 356), and the *Income Tax Act,* 1918, *Schedule D, Cases I and II, Rule* 13 (page 357), the income arising from the investment of the life assurance fund shall be taken as part of the profits.

The *Income Tax Act,* 1918 *s.* 33 deals with the following matters—

(3) *Assurance companies carrying on life assurance business, and any companies whose business consists mainly in the making of investments and the principal part of whose income is derived therefrom.*

It often happens that the taxed income (*i.e.* taxed by deduction from dividends, etc.) of these companies is larger than their net profit. In other words, the expenses of management are larger

INSURANCE COMPANIES—(*contd.*)

than the untaxed income. Until 1915 this was a burden to be borne without redress. It then enacted, however, that tax on the amount of the expenses of management (including commissions) shall be repaid, provided that—

(*a*) the tax paid by the company must not be less than the amount payable had it been assessed under Case I of Schedule D (*i.e.* on its average net profits); and

(*b*) fines, fees or profits from reversions arising to an assurance company, and any untaxed income arising to any other company, shall be deducted from the expenses of management for the year, before repayment is made thereon; and

(*c*) in calculating profits arising from reversions the company may set off any loss arising from reversions in any year from 1915–16 inclusive.

The claim is to be proved to the satisfaction of the special commissioners. Notice thereof is to be given, in writing, to the district inspector of taxes within twelve months after the expiration of the fiscal year to which it relates. If the surveyor objects to the claim the special commissioners must hear it as an appeal. The provisions as to High Court Cases (page 297) apply.

No claim may be made in respect of the maintenance, repairs, insurance or management of land or houses in cases in which the *Income Tax Act*, 1918, *Schedule A*, *No. V*, *Rule* 8 can apply, (page 419).

(5) *Assurance Companies not having their Head Office in the United Kingdom.*—Where such a company carries on life assurance business through any branch or agency in the United Kingdom, any income of the company from the investments of its life assurance fund (excluding the annuity fund, if any) *wherever received*, shall, to the extent to be mentioned, be deemed to be profits chargeable under Case III of Schedule D (page 440).

The portion thereof to be charged shall bear the same proportion to the income of the investments concerned as the amount of premiums received in that year—

(*a*) from policy holders resident in the United Kingdom, and

INSURANCE COMPANIES—(*contd.*)

(*b*) from policy holders residing abroad whose proposals were made to the company at or through its office or agency in the United Kingdom

bears to the total amount of the premiums received by the company.

In the case of an assurance company having its head office in any British possession the Board of Inland Revenue may, by regulation, substitute some other basis for the purpose of ascertaining what portion of the income from investments should be charged as being derived from business carried on in the United Kingdom.

The relief in respect of the expenses of management (*previous page*) shall, in the case of a company chargeable in accordance with this note (5), be calculated by reference to a like proportion of the total expenses of management for the year.

Assessments shall be made by the special commissioners as if the company had required it (page 457). The relief in question may be given by way of set off against liability under (4).

(6) The liability imposed under the *Income Tax Act*, 1918, *Schedule D, Case IV* (page 249) shall not apply to the income of the foreign life assurance fund of an assurance company. In such a case, however, a corresponding deduction shall be made from the relief granted in respect of the expenses of management.

In *The North British & Mercantile Insurance Company* v. *Easson* (1919) the Company made a claim to relief in respect of expenses of management, and it contended that such expenses should include an amount equal to a rebate of 15 per cent. granted to civil servants on all premiums payable by them. The Company's view was that the allowance of the discount was equivalent to the payment of commissions, etc. The Court decided against the Company. Lord President—"Can that sum be characterized as an expense of management, a sum disbursed as expenses of management within the meaning of the 14th section of the *F.A.*, 1918? I am of opinion that it cannot. It is not a sum which is disbursed at all. It is certainly not part of the expenses of managing this Insurance Company's concern. Another way of stating the question is, is this sum of £42,000 odds a discount in the proper sense of the term, or is it a commission? It is very significant, as the representative for the

INSURANCE COMPANIES—(*contd.*)

Crown pointed out at the debate before the Special Commissioners, that in all the different documents before them it is spoken of, quite correctly, as I think, as a discount. It is plainly not a commission. What then is it ? It appears to me to be a sum which the Insurance Company have saved by effecting insurances upon the lives of civil servants who are willing to enrol themselves as members of a certain association."

INSURANCE PREMIUMS.

See under ACCIDENTS ; FIRE INSURANCE ; LIFE ASSURANCE.

INTEREST.

The essential considerations with regard to interest are (*a*) that it is itself an assessable subject, irrespective of any profits or losses made by the recipient, (*b*) that a trader may not as a rule charge interest as an expense in his accounts, and (*c*) that in most cases a person paying interest is required to deduct tax therefrom and to hand it to the revenue in some way or another. These rules will now be dealt with *seriatim*, and the exceptions will be indicated. (See also under BANK INTEREST and under INTEREST PAID TO DISCOUNT HOUSES AND TO MEMBERS OF A STOCK EXCHANGE as regards allowances specifically provided for.)

First, the charging section of Schedule D (*I.T.A.*, 1918, *s.* 1) enacts that duty shall be payable in respect of all interest of money, and that the enactment means this literally has been proved by several appeal cases in this connection. The question has been decided in cases apparently as hard for the Crown to argue as any could be. Certain insurance companies proved that their nett income was less than their income from investments (on which they had already suffered tax by deduction). They also received certain interest without the deduction of tax, and contended that this should not be taxed as they had already paid duty in excess. Their contention was rejected both in England and in Scotland. In *Clerical, Medical and General Life Assurance Society* v. *Carter*, 1889, the Master of the Rolls remarked : " It is said on behalf of defendants that this interest is not an assessable subject-matter because it is interest which comes to defendants in the course of

INTEREST—(*contd.*)

trade and business. I think that all interest, where it can be, is assessable." In *Revell* v. *Edinburgh Life Insurance Company*, 1906, Lord Kinnear said: "The only question now is whether the interest hitherto untaxed is taxable or not. I am clearly of opinion that it is." No cases can be more sweeping than these, as the following examples will show—

Company's taxed dividends	£40,000
,, untaxed interest	5,000
,, trade receipts (premiums, etc.)	53,000
Gross Receipts ..	98,000
Expenses of administration and liabilities met	67,000
Nett profit ..	£31,000

The minimum income tax liability of this company is £45,000, including £40,000 dividends on which tax had already been paid, and £5,000 interest still assessable. This example should satisfy company secretaries and liquidators who have an item of interest among their receipts. The only way in which they can escape taxation on that item is to prove that the trading resulted in a loss, and to claim on this ground, as shown in Chapter IV. (NOTE. —As regards Insurance Companies and Investment Companies only, the hardship has recently been met by specific enactment—see under INSURANCE COMPANIES. The principles respecting the taxation of interest remain as outlined above.) Reference may be made to other cases. A building society received payments from borrowers which included the repayment of part of a loan and interest on the part still unpaid. It was held the society was assessable on the amount of interest received without tax having been deducted therefrom. (*Leeds Permanent Benefit Building Society* v. *Mallandaine*, 1897.) A wool-broking company which granted temporary advances (abroad) on the security of wool and produce was held to be primarily a trading concern, and the interest received was regarded as a part of the trade profits. (*Smiles* v. *Australasian Mortgage and Agency Co., Ltd.*, 1888.) This case would suggest that such interest could not be assessed "as interest" without the deduction of trade expenses. It would extend both to the case of a moneylender and a banker, but probably not to the

INTEREST—(*contd.*)

case of an investment company, and not to a moneylender or banker *in the capacity of investors*. This decision is not in verbal agreement with other cases cited above, but its principle is too just to be opposed within the limits indicated.

In *The College of Preceptors* v. *Jenkins* (1919) the College contended that interest allowed to it on bank deposits was not interest in respect of which income tax was chargeable. The Judge remarked that this point was "somewhat faintly argued" and added that "Interest on bank deposits is taxable in the hands of the recipient."

Tax on interest reaches the revenue either by the person paying the interest deducting tax therefrom and handing it to the authorities, or by the person receiving it untaxed returning it for direct assessment. The rules under which tax is deducted from interest will be explained later. As regards direct assessments, it is enacted that where interest is paid without the deduction of tax, duty shall be charged under Case III of Schedule D. (*I.T.A.*, 1918, *Schedule D, No. III, Rule* 2; *Schedule D, Miscellaneous, Rule* 6; *All Schedules, Rule* 19.) The rule of Case III was that assessments shall be based on the amount arising within the year preceding the year for which the assessment is made. (*I.T.A.*, 1918, *Schedule D, Case III, Rule* 2.) For a more detailed statement of this rule as amended in 1922 see under SCHEDULE D (Case III). Interest arising abroad is dealt with under FOREIGN INCOME.

Secondly, a trader may not as a rule charge interest as an expense in his accounts for income tax purposes. There are two grounds on which this prohibition may be based and one exception in which it does not hold good. (*a*) Annual interest may not be deducted from profits, because the trader recoups himself in another way. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3 (*h*).) He is authorized to deduct tax therefrom, as will be shown later, and he hands this tax to the revenue by paying tax on an assessment on his gross profits (including his nett profits and his creditor's interest). Thus, a trader who makes a profit of £380 after paying £40 annual interest, will be assessed on £420, and he will recoup himself for tax on £40 by deducting it from payments of interest. When a trader pays annual interest his course is clear. He may have a difficulty as to what this term includes. This is dealt with under

INTEREST—(*contd.*)

ANNUAL INTEREST. (*b*) Interest may not be annual and may yet be a capital charge. (No capital charge may be set against profits.) A company paid interest on short loans from bankers. This interest was certainly not " annual," yet it was not allowed to be charged against profits. A judge commented : " What are intended to be charged are the profits of a particular business, and those profits are to be ascertained in the ordinary way, without reference to the consideration as to whether or not a particular partner or all the partners are trading with borrowed capital." (Mathew, J., in *Anglo-Continental Guano Works* v. *Bell*, 1894.) That is to say, the interest was held to be an expense incurred in obtaining capital and was disallowed as a deduction from profits not as interest, but as a capital charge. It will now be shown, however, that in most cases short-loan interest is not regarded as an expense of obtaining capital. The exception (*c*) to the rule that interest may not be deducted from profits relates to interest (not being annual) which is paid as a trade expense. A simple case is that of a trade discount. This is, in theory, interest onthe purchase price of goods, that price being paid earlier than it need have been. No one would think of prohibiting this discount from being charged as a trade expense. This may be carried further. A trader may purchase goods for which he cannot pay at once. He may, therefore, open an account with the sellers and agree to pay them interest on the monthly balance of his account. In this case the interest is neither annual interest nor interest on a loan obtained for use as capital. Varying the illustration a little more, the trader may obtain an overdraft from his bank and may discharge his debt to the sellers and pay interest to the bankers instead. In all these and in kindred cases the trader may charge the interest as a trade expense. This has authoritative sanction in the case of *Scottish North American Trust, Ltd.* v. *Farmer*, 1912. This company was allowed to deduct from its profits interest on overdrafts paid to foreign banks, it being held that the interest in question represented payment for ordinary banking facilities and was not interest on capital.

The third matter for consideration is the deduction of tax from payments of interest. A person paying interest is entitled to make this deduction (*a*) where the interest is annual and is paid out of

INTEREST—(*contd.*)

profits and gains brought into charge (*I.T.A.*, 1918, *All Schedules, Rule* 19 (1)) ; and (*b*) where the interest is not paid out of profits and gains brought into charge, whether it is annual or not. (*I.T.A.*, 1918, *Schedule C, Rules for B. of E., Rules*, 6, 7 ; *other rules*, 3, 5.) Any deduction under (*a*) should be made at the rate or proportionate amount of several rates in force while the interest was accruing (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 4 ; *All Schedules, Rules* 19, 21 (1)), and any deduction under (*b*) should be made at the rate in force at the date of payment. (*I.T.A.*, 1918, *Schedule C.*) In both cases the highest rate in force is the rate referred to. (See under EARNED INCOME as to the inapplicability of the lower rates.) The combined effects of the enactments referred to may be shown as follows—

	If Annual.	*If not Annual.*
Interest paid out of profits charged ..	Tax may be deducted at the rate or rates in force while accruing.	Tax may not be deducted.
Interest not paid out of profits charged..	Tax may be deducted at the rate in force at the date of payment.	Tax may be deducted at the rate in force at the date of payment.

Two questions now arise : When is interest " annual " ? This is dealt with under ANNUAL INTEREST. When is interest paid out of profits brought into charge ? This will now be considered. First, the nature of the profits is immaterial. The interest may be paid out of a salary, trade profits, rents or dividends, but so long as that source of income has been charged with income tax it is within the term " profits or gains brought into charge." Secondly, the interest must *in fact be paid or be able to be paid out of the profits in question.* The London County Council contended that it paid certain interest (*a*) partly out of rents charged under Schedule A (property tax), and (*b*) partly out of the annual value of property owned and occupied by them, and likewise charged under Schedule A. The first contention (*a*) was admitted, but the second (*b*) was rejected on the ground that the Council derived no income from the property it occupied itself, and the interest therefrom could not be paid out of any value arising from that property. (*Attorney-General* v. *London County Council*, 1900 ; *Case of same name,*

INTEREST—(*contd.*)

1907.) When once it is evident, however, that the interest might have been paid out of profits charged, the law does not strictly regard the question whether it was in fact so paid. Thus, annuities paid by an insurance company are regarded as being paid out of the aggregate taxed income of that company, and not only out of the income of the particular source on which they were primarily charged. (*Edinburgh Life Assurance Co.* v. *Lord Advocate*, 1910.) See also under CORPORATIONS for a stricter ruling as regards the funds of a public authority. The following example will illustrate the effect of a decision on this point.

EXAMPLE.—A concern pays interest £9,000. Its profits are taxed in two sums, (*a*) £4,000, and (*b*) £3,000. If the interest may be regarded as being paid out of both (*a*) and (*b*) as far as they will reach, the concern will be held to pay £7,000 out of profits charged and £2,000 not out of profits charged. It will retain the tax deducted from the £7,000 to recoup itself for tax paid on that amount of profit so disbursed. But it will make a special payment to the Revenue of the tax deducted from the £2,000. If, however, the interest may be regarded as being paid out of (*a*) only and not out of (*b*), the concern will retain the tax deducted from the £4,000, and will pay to the Revenue the tax deducted from the remaining £5,000.

In *Hancock* v. *General Reversionary and Investment Company* (High Court, 1919) the Company received certain taxed dividends, and paid certain annuities from which it deducted tax. The Company sought to reduce its Schedule D. Assessment by excluding the taxed dividends from its profits, and in addition charging as an expense the amount of the annuities paid. It was held that the Company must be taken to have paid the annuities out of the dividends, in which case the profits should not be reduced by the full amount of the dividends, but only by the part of the dividends remaining after deducting the amount of the annuities therefrom.

Any tax deducted from interest not paid out of profits charged should be paid to the Crown even although no assessment is made. It is a debt and is recoverable as such. (*I.T.A.*, 1918, *Schedule C ; other rules*, 4.) It should be noted, also, that heavy penalties may

INTEREST—(*contd.*)

be imposed for any refusal to allow tax to be deducted (*I.T.A.*, 1918, *All Schedules, Rule* 23), and that all contracts and agreements for the payment of interest in full are declared to be void. There is a special provision requiring tax to be deducted from any interest paid out of rates. (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 6.) See also under DEDUCTION OF TAX, particularly as regards interest paid before the passing of the annual Finance Act.

Reference may be made to two cases in which payments nominally representing interest were held not to be payments of interest. The Government expropriated a South African railway and, in addition to the purchase price, paid "guaranteed interest on capital" (the amount formerly guaranteed by the Transvaal Government) in respect of those years during which it had seized the railway. The payments of "guaranteed interest" were held to be in the nature of trade profits. (*Pretoria-Pietersburg Railway Co.* v. *Elwood*, 1908.) In the second case a director, held guilty of misfeasance, was ordered to refund to his company the sums improperly dealt with, "with interest at 5 per cent per annum." The judge declared that this was not interest, but "damages." (*In re National Bank of Wales, Ltd.*, 1898.)

These two cases may be contrasted with the following: In *Schulze* v. *Bensted* (1915), the trustees of an estate were ordered to pay an amount lost to the estate by reason of their negligence, with simple interest at 3½ per cent. per annum over eleven years. It was held that the recipients of such interest must account for tax. *In rejecting the plea that the interest was of the nature of damages* —Lord President: "In the case before us, an attempt was made to make Dun's representatives liable in damages on the ground that Dun had fraudulently misappropriated the trust money; and that view was deliberately rejected by the Court, who found the representatives of Dun liable in interest and in interest only." Lord Johnston: "Where a pursuer recovers damages with interest from the date of decree, I do not think that that interest is chargeable. It is part of the damages. But where a sum is due on a definite date, with interest from the date of advance, the case is different. The interest ought to have been in the creditors' hands

INTEREST—(*contd.*)
on the stipulated date, and is none the less interest when it is recovered along with the principal under the decree."

In *Hudson's Bay Company* v. *Thew* (1919) the Company endeavoured to extend the decision as to its non-liability in respect of sales of land (see page 492.) to interest received on unpaid purchase money. The Court decided against the Company. The Court further decided that the interest was "income arising from securities" within the meaning of Case IV of Schedule D. Rowlatt, J.—"It is perfectly plain, and has been decided by the Court of Appeal, that under the peculiar constitution of this company the money that they get by selling their lands is not income; it is realized capital. Sir John Simon, therefore, says that this interest, which is interest paid in respect of their forbearing to collect for a certain time their purchase money, that is interest on unpaid purchase money, is not income either. Now I cannot follow that . . . . . It is no good repeating myself, but I cannot see why that is not interest but is capital.

In *Mayhew* v. *Halton; re Morris* (Chancery Division, 1920), money was advanced on mortgage subject to redemption on payment of a stated sum at any time after the death of a certain person with compound interest on that sum at the rate of 4½ per cent. per annum with yearly rests. It was held that in coming to a final settlement Income Tax should be deducted from the interest. The Court followed the decision in *re* Craven's Mortgage, 1907. Lawrence, J.—"It will be seen that the sole question to be decided is whether a provision for the payment of compound interest with yearly rests operates to capitalize the interest at the end of each year in such a manner as to make it cease to be 'interest of money' within Rule 1 (*a*) of the rules applicable to Case III."

Interest on Excess Profits Duty, etc. The Finance Act, 1922, s. 29, provides that interest paid to the Revenue on arrears of Excess Profits Duty or Munitions Exchequer Payments shall not be a deduction for purposes of assessment to Income Tax. In the course of the Parliamentary debates it was made clear that such interest would be a permissible deduction for purposes of Corporations Profits Duty and Super-Tax.

INTEREST ACCOUNT.

The following profit and loss account is given in order that the adjustment required for income tax purposes in respect of the item of interest may be clearly indicated—

Dr. PROFIT AND LOSS ACCOUNT *Cr.*

	£		£
To Rent, Rates, etc. ..	140	By Trading Account ..	1,804
,, Office Expenses	237		
,, Salaries	345		
,, Interest	61		
,, Balance, nett profit ..	1021		
	£1,804		£1,804

It may appear (from a hasty recollection of the general rule that interest may not be charged against profits) that the profit for income tax purposes is £1021 plus £61, equals £1,082. But it is necessary to consider whether the item is the balance of an account, and even if it is not such a balance the nature of the interest must be regarded. Thus, if it represents interest on an overdraft the profit for income tax purposes will remain £1021 (provided that the money was borrowed from the bank in the ordinary course of trading, as shown in the preceding article). It may be assumed in this case, however, that the item does represent the balance of the interest account, which account is shown as follows—

INTEREST ACCOUNT

	£ s. d.		£ s. d.
To Bank Overdraft ..	4 0 0	By T. Jones (£1,000 at 6% less tax) ..	45 0 0
,, F. Smith (£6,000 at 5% less tax) ..	225 0 0	,, G. Barnes (£2,000 at 6% less tax)	90 0 0
		,, Bank Deposit A/c (not taxed) ..	33 0 0
		,, Balance to Profit and Loss A/c ..	61 0 0
	£229 0 0		£229 0 0

In explanation of the adjustment which will be given, it must be pointed out that the carrying of the balance of the interest account

INTEREST ACCOUNT—(*contd.*)

into the profit and loss account has the same effect as if every item of the former amount were carried into the latter. In effect, therefore, the bank overdraft interest and F. Smith's interest have been charged as expenses; similarly the bank deposit interest and the interest paid by T. Jones and G. Barnes have been included in the profit and loss account as receipts. But F. Smith's interest may not be charged as an expense, for tax thereon has already been deducted by the trader whose accounts are under consideration. This being so, the trader must be assessed to include such interest (at the highest rate; see under INTEREST). On the other side of the account, the interest received from T. Jones and G. Barnes has been received less tax, and must not be included in the assessable profits and so charged again. The three items referred to (in the names of F. Smith, T. Jones, and G. Barnes) will, therefore, require to be deleted from the profit and loss account. The adjustment will be as given below.

	£	s.	d.
Balance of Profit and Loss A/c	1,021	0	0
Deduct Interest already taxed but included in the above profit—			
T. Jones £45 0 0			
G. Barnes 90 0 0			
	135	0	0
	£886	0	0
Add Interest charged in arriving at the above profit, but from which the trader deducted tax—			
F. Smith	225	0	0
Profit for Income Tax purposes	£1,111	0	0

It will be observed that no interest has gone to fix this adjusted profit except (*a*) interest £33 received without the deduction of tax, and (*b*) interest £4 paid without the deduction of tax. Interest (*b*) may be charged as a trade expense if it is on a loan used for trade purposes and not as capital. This matter is dealt with under INTEREST. (See also under ANNUAL PAYMENTS with regard to the deduction of tax.)

Interest allowed on partner's capital may not be charged as an expense. Interest allowed to a partner on an advance made by

INTEREST ACCOUNT—(*contd.*)

him to the firm *bonâ fide* as a loan, must be treated as if it were payable to an outsider. Interest charged to a partner by reason of a deficit on his drawing account should be included in the firm's profits for income tax purposes.

INTEREST ON CAPITAL.

Interest on capital may not be charged as a deduction from profits. If a partner's capital is regarded as an investment the interest which is allowed thereon by the firm is not " earned income," and should accordingly be charged at the highest rate. It is the custom, however, to regard interest on capital as part of the profits earned by the partners, for it is obvious that the capital would earn no interest but for the activities of the firm. This does not apply to interest allowed to a partner on a loan made by him to the firm.

INTEREST ON RESERVE FUNDS.

Interest earned on investments which form part of a reserve fund should be regarded as profit accruing to the company. Even if it is decided to add such interest to the reserve fund the fact stated still holds good. In making an adjustment of the accounts for income tax purposes the interest (unless already taxed) should be added to the profits.

INTEREST TO DISCOUNT HOUSES AND MEMBERS OF A STOCK EXCHANGE.

From 1917 allowance is made to a person paying interest, out of taxed income, to a member of a Stock Exchange or to a discount house. The most obvious case is that in which a taxpayer receives, say, £50 dividends, out of which he pays, say, £20 interest on a loan obtained to purchase the share in question. If he has borne tax (by deduction) on the dividends, he may be repaid tax on £20. If the dividends are untaxed, he will claim to be charged on £30 only, or if charged on £50 to be repaid tax on £20. The conditions are—

(1) that the interest is paid " out of profits and gains brought into charge to income tax " ;

INTEREST TO DISCOUNT HOUSES AND MEMBERS OF A STOCK EXCHANGE—(*contd.*)

(2) that the payer of the interest does not deduct tax therefrom ;

(3) that the interest is not " yearly interest "—see page 100 ;

(4) that the interest is payable in the United Kingdom, on an advance ;

(5) that the advance is from a person who, in the opinion of the Commissioners of Inland Revenue, is *bonâ fide* carrying on—

(*a*) business as a member of a Stock Exchange in the United Kingdom ; or

(*b*) the business of a discount house in the United Kingdom ;

(6) that the Commissioners of Inland Revenue are satisfied that the interest has been or will be brought into account in the return of the person making the advance.

The Act gives title to the allowance by way of repayment only. (*I.T.A.*, 1918, *s.* 36.)

INTERIM DIVIDENDS.

There is no distinction, for income tax purposes, between an interim dividend and a final dividend. They are regarded as the income of the period during which they accrue. Thus, an interim dividend for a quarter ended 30th September is the income of the year in which that date falls, irrespective of the dates on which it was declared and paid. An interim dividend declared for a year ending on a future date is regarded as income for the whole year, and not of the part expired before payment.

See under DIVIDENDS.

INVESTMENT COMPANY.

An investment company is one whose purpose it is to invest its capital with regard only to the return of dividends, interest, etc., which may be secured. When it sells and buys stock it is only for the purpose of maintaining or improving this return, and not with the intention of making a profit through a rise or fall in the value of such stock. A company which exists for purposes of investment in this sense is liable to tax only on the income arising from its

INVESTMENT COMPANY—(*contd.*)

investments. No gain or loss on the sale or purchase of shares should be regarded, as it is not part of the company's business to trade in its holdings.

When such a company pays interest on debentures or other loans it may deduct tax therefrom (except from short loans), and so recoup itself for part of the tax paid on its own receipts.

Prior to 1915.

Under the earlier law an investment company was occasionally called upon to suffer tax on an amount larger than its nett income, as it was usually taxed in full on all dividends and interest accruing to it, irrespective of the expenses of management. This liability arises from the fact that all interest is assessable because it is interest and quite apart from any considerations of profit or loss. Expenses may be set against transfer fees, underwriting profits, etc., and in most cases will more than cover receipts from these sources.

It may be considered that an investment company has some ground for contending that untaxed interest received by it should be regarded as a trade profit against which management expenses etc., may be set (as in the case of *Smiles* v. *Australasian Mortgage and Agency Co., Ltd.*, 1888, page 283). But this view is negatived by certain insurance company cases. It has been held that it is part of the business of an insurance company to make and vary investments (*Northern Assurance Co.* v. *Russell*, 1889), and yet that untaxed interest received by such a company must be taxed without the deduction of expenses. (*Clerical, Medical and General Life Assurance Society* v. *Carter*, 1889.) The combined effect of these cases no doubt extends to an investment company.

From 1915.

See under INSURANCE COMPANIES as regards special legislation in respect of the expenses of management of those companies and Investment Companies.

See under INTEREST as to this subject generally.

INVESTMENTS.

Profits and losses on changes of investments are not regarded for purposes of income tax, except where the changes referred to

INVESTMENTS—(*contd.*)

occur in the course and as part of the carrying on of a trade or business. It has been stated under the preceding heading that any increase or decrease in the value of the investments of an investment company, is not material in the calculation of an income tax assessment. If, however, a company habitually varies its investments with the intention of making a profit by such variation, any increases or decreases in capital value are regarded as trade profits or losses. The same rule applies to individuals save that, in practice, the habitual speculations of an individual are not always of such a nature as to be worth regarding as trading operations. An individual who deals in property or in shares is certainly liable on his profits, however, although evidence of fairly persistent operations is required in proof of liability. The question for companies and individuals remains the same. Is a trade being exercised in the changing of the investments in question ? If so, the profits are assessable and the losses are regarded as trade losses. (See under Loss.) If not, the transactions do not come under the view of the income tax acts.

See under Dividends; Exhaustion of Capital; Foreign Income and Interest for these branches of the subject. See under Syndicates as regards a company which sells its assets to another company, and under Trading for a general note as regards trading in investments. See also under Loans Lost.

IRONWORKS.

Ironworks are assessable under Rule 3, No. III of Schedule A (*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rule* 3), with other concerns in the nature of trade whose profits arise from land. These concerns are now assessable according to the rules of Schedule D (*i.e.*, the rules governing the assessment of trades, professions, etc.) so far as they are consistent with the rules of No. III of Schedule A. (*I.T.A.*, 1918, *Schedule A*, *No. III*, *Rule* 8.) Ironworks are still assessed on the amount of profits arising within the year preceding the year of assessment.

Iron *mines* are assessable under Rule 2, No. III of Schedule A, on the average profits of the five years preceding the year of assessment.

ISLE OF MAN.

Residents in the Isle of Man are regarded, under the income tax acts, as residing out of the United Kingdom, save in one matter. They may claim the statutory allowances and deductions (including the allowances for life assurance, wife, children, etc.) in respect of any income taxed in this country, just as if they were residents here, with the modification explained on page 44.

Income arising in the Isle of Man is regarded as foreign income (See also under FOREIGN INCOME ; NON-RESIDENTS.)

LAKES AND PONDS.

Lakes and ponds which are leased or occupied with lands are assessable with those lands under Schedule A (property tax), and under Schedule B (tax on the occupier's profits). Their value will be included in the rent and will, therefore, be assessed. If the owner occupies the land and retains a lake or pond therewith, its annual value must be estimated.

As regards water which is put to a commercial use, see under CANALS. (See also under FISHERIES.)

LAND TAX.

Land tax is an ancient charge which dates back to 1690. It should not be confused with the land values duties, imposed in 1909/10, since withdrawn, which had no connection with income tax. Land tax, however, is collected by the same machinery as income tax, and the amount charged is often dependent on the annual value of the property in question, and on the income of the person called upon to pay it.

A certain amount (or quota) was charged on each parish and on all the lands of that parish. The charge was originally intended to be uniform, but in course of time the value of the land in the respective parishes increased or decreased, and the charge falling on each piece of land within the parishes decreased or increased accordingly. Moreover in course of time many parishes have redeemed all or part of the charge by payment of a capital sum ; similarly much property within a parish has been redeemed by the owner. The result of these changes is that the present land tax is a charge

LAND TAX—*(contd.)*

which varies in different parishes. In towns it is usually very small or has ceased to exist. In certain parts of the country it was very high until 1896, when a maximum rate of one shilling in the pound on the annual value of property charged was fixed. (*F. A.*, 1896, *s.* 31 (1).) This enactment made a considerable gift to existing owners in many parishes, but it relieved a heavy charge which had grown up.

Land tax is redeemed in two ways. An owner may pay a sum equal to thirty times the sum assessed by his last assessment either by a single payment or by annual instalments, with interest at 3 per cent. (*F. A.*, 1896, *s.* 33.) Further, when a parish collects more tax in any year than remains charged against it, the surplus (after paying the collector) is taken to have reduced the amount due from the parish in the next year by one thirtieth part of such surplus. Land tax may not be charged at less than one penny in the pound except where a lesser rate would redeem the whole tax due from the parish. (*F. A.*, 1896, *s.* 32.)

In 1898 a further reduction of land tax was made to persons with small incomes. When the owner who receives the rent or profits of any land assessed proves, before the land tax is paid, that he has been allowed relief from income tax in that year by reason of his income not exceeding £160, he is entitled to be exempted from land tax for that year. When he proves that he has been allowed an income tax allowance by reason of his income not exceeding £400, he is entitled to be relieved from the payment of one-half of the land tax charged. (*F. A.*, 1898, *s.* 12; *F.* (No. 2) *A.*, 1915, *s.* 21.)

Land tax is payable on or before 1st January in each year. (*T.M.A.*, 1880, *s.* 82.)

A deduction is made from an income tax assessment under Schedule A (property tax) in respect of the amount of land tax charged on the property assessed.

LANDLORD.

A landlord is chargeable to income tax under Schedule A (property tax), but the assessment is made on the occupier of the property, who pays the duty and deducts it from his next payment of rent. Where the landlord is also occupier the assessment is made

LANDLORD—(*contd.*)

in his name. In certain cases also he is deemed to be the occupier although not actually in occupation.

The occupier of any property is the person having the use of it. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 2.) All landlords are required to allow a deduction from the next payment of rent of the amount of tax paid by the occupier. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 1, *s.* 161.) The landlord is assessed as occupier—

(*a*) of any dwelling-house in the occupation of a tenant which (with buildings and lands belonging thereto and occupied therewith) is of an annual value less than £10 (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 8 (*a*)) ;

(*b*) of all lands and tenements let to a tenant for a period of less than one year (*Rule* 8 (*a*), *as above*) ; this provision does not refer to property let month by month or quarter by quarter at a yearly rent ; it includes grazing lands let for eleven months, etc.;

(*c*) of any lands, houses, or buildings in respect of which he has made application to be charged (if the commissioners think fit) ; the application should be made before 31st July in any year and will extend to subsequent years unless the notice is cancelled before 31st July; any duty not paid may be recovered by distraint on the landlord or on the tenant (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 9.) ;

(*d*) of any house or building let in different apartments or tenements and occupied by two or more persons severally ; in this case the house is charged in one sum (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 8 ; see also under FLATS) ; there is a similar provision for the assessment of house duty on the landlord. (*H.T.A.*, 1808, *Schedule B, Rule* 6.)

In each of the cases referred to under (*a*), (*b*), (*c*) and (*d*) the Crown's right of distraining on the actual occupier or occupiers remains unaffected if tax is left unpaid. If such distraint is made (or if the occupiers pay tax without waiting for a distraint) a corresponding deduction may be made from the rent. When a house is divided (structurally) into distinct properties and occupied by distinct owners or their respective tenants, each tenant is assessed for his own portion. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 12 ; see also under FLATS.) A similar enactment extends to house duty. (*H.T.A.*, 1880, *Schedule B, Rule* 14.)

LANDLORD—(*contd.*)

If any difficulties arise between landlord and tenant with regard to the deduction of tax, the local commissioners are authorized to adjudicate on the matter and, if necessary, to enforce their decision by distraint. (*I.T.A.*, 1918, *All Schedules*, *Rule* 22.)

A landlord is entitled to deduct tax from ground-rent, interest, tithe rent charge (if no deduction is made from the annual value in respect thereof in making the assessment), and from any similar annual payment, at the rate or proportion of rates in force while the payment was accruing. (*I.T.A.*, 1918, *Schedule A*, *No. VIII*, *Rule* 4.)

See under LANDS, PROPERTY, and SCHEDULE A for the rules of assessment. See also under DEDUCTION OF TAX; DISTRAINT; GROUND RENT; RECEIPTS; and TENANT.

LANDS.

Lands are assessed under Schedule A (property tax) in respect of the landlord's profit from rent, etc., and under Schedule B in respect of the profits of the farmer or other occupier. Both assessments are made on the occupier, but in the cases referred to under LANDLORD, the owner is regarded as being the occupier for purposes of assessment. The occupier is required to bear the duty under Schedule B, but he is authorized to make a deduction from his rent to meet the payment made under Schedule A. This deduction should be at the rate of duty charged, but must not exceed the amount paid to the Crown.

The basis of the assessment is the ANNUAL VALUE, which in turn is based on the RACK-RENT. (See under these headings.) Certain deductions are made from the assessment under Schedule A. Before 1915, duty was charged under Schedule B on one-third of the annual value; from 1915 inclusive, the basis was the full annual value; from 1918 inclusive, double the annual value, except for gardens, etc., and from 1922 inclusive, the full annual value, except for gardens, etc., as stated under FARMERS.

The deductions allowed under Schedule A are as follows—

(*a*) For repairs, usually one-eighth of the assessment on lands (see under REPAIRS as to this, and as to an additional allowance for maintenance, etc.);

LANDS—(*contd.*)

(*b*) The amount of land tax paid;

(*c*) The amount of a public rate in respect of drainage, fencing, or embanking;

(*d*) The amount expended by the landlord in making or repairing sea-walls, etc., on an average of the expenditure over the past twenty-one years (see under SEA-WALLS);

(*e*) Certain ecclesiastical charges described under CLERGYMEN;

(*f*) The amount of the parochical rates paid on rent charges confirmed by the Act for the commutation of tithes within the year preceding the year of assessment.

See also under FLOODS; GARDENS; LANDLORDS; PROPERTY; REPAIRS; SCHEDULE A; SCHEDULE B; TITHE.

LAWYERS' CHARGES.

See under LEGAL EXPENSES.

LEASE.

A lease contains important evidence as to the annual value of the premises to which it refers. The assessor is, therefore, empowered to call for its production when he thinks fit. (*I.T.A.*, 1918, *Schedule A, No. IV, Rule* 8.) If it shows that the premises have been let within seven years, and that the rent is the only monetary consideration referred to therein, the assessment will be made on the amount thereof. But the rent is not binding if the Commissioners consider that it does not express the full consideration or is less than the rack-rent. (See under RACK-RENT.) Where a mother granted certain property to her son, the Commissioners were upheld in refusing to regard the lease as conclusive evidence of the annual value of the property. One of the judges declared that, "a lease for rack-rent is conclusive if made within seven years, but the question whether the lease is for rack-rent must be considered." (*Stocks* v. *Sulley*, 1899.)

LEGAL EXPENSES.

Expenses incurred in the ordinary course of trading are allowable as deductions from trade profits, but expenses on capital matters or in circumstances not arising strictly within the trading operations may not be charged. Thus, expenses incurred in collecting debts, in defending an action for an alleged supply of inferior goods, in

LEGAL EXPENSES—(*contd.*)

defending patent rights (not in acquiring them, this being a capital charge), and in other similar ways, may be deducted. Expenses incurred in purchasing a lease, in obtaining capital, in registering a company or opening a business, are examples of charges which may not be set against profit. The best illustrations possible of the inadmissibility of expenses which are incurred *through* trading operations and not *in the course of* such operations, are referred to in connection with the case of *Strong* v. *Woodifield*, 1906, under ACCIDENTS. (See also under DAMAGES.)

LIBRARIES.

A library may be within the exemption from duty under Schedule A (property tax), which is allowed in respect of buildings which are the property of any literary institution, and are used solely for the purposes of such institution, and in which no payment is demanded or made for any instruction afforded therein. (*I.T.A.*, 1918, *Schedule A, No. VI.*) This exemption has been held to extend to a public library, supported out of the rates and owned by the corporation. (*Mayor of Manchester* v. *McAdam*, 1896.) Where accommodation was provided in a building used as a free library for the books of a subscription library, the exemption was held not to apply. (*Musgrave* v. *Magistrates and Town Council of Dundee*, 1897.)

A library building which is allowed exemption from income tax under Schedule A may not be allowed exemption from house duty. The only ground under which the latter exemption may be granted is that the building in question is used solely for the purposes of any trade, etc., by which the occupier seeks a livelihood or profit. (*I.T.A.*, 1918, *Schedule A, No. VI.*) Where this is the case there is no exemption from income tax.

LICENSED PREMISES.

Three matters require consideration with regard to the income tax assessments on and in respect of licensed premises: (*a*) the assessment under Schedule A (property tax), (*b*) the assessment under Schedule D in respect of the trader's profits, and (*c*) the position of brewers who control or manage licensed premises.

LICENSED PREMISES—(*contd.*)

The assessment under Schedule A should be based on the annual value of the premises occupied, and, in ascertaining that annual value, regard should be paid to the fixtures leased with the house. Thus it has been said: "Things which are there for the purpose of making and which do make the premises fit as premises for the particular purpose for which they are used, are to be taken into account in ascertaining the rateable value of such premises." (Lord Esher in *Tyne Boiler Works Co.* v. *Tynemouth*, 1886.) There is no doubt that the usual fittings of a public-house should be included with the house for this purpose. A stable which belongs to and is occupied with the house should also be included, likewise any other offices, yards, and gardens up to one acre in extent. Having decided on the premises to be valued, the annual value is ascertained primarily by reference to the rent paid. The rent is conclusive evidence provided that the lease or agreement was made within the seven preceding years, and that the rent is the sole consideration for the lease and represents the rack-rent of the premises leased. (See under RACK-RENT.) It is, of course, for the local commissioners to decide whether these conditions are fulfilled in any particular case. Where a mother leased certain premises to her son, the commissioners were upheld in declining to accept the rent paid as conclusive evidence of the annual value. (*Stocks* v. *Sulley*, 1899.) In a house duty case (where the same rule applies) it was decided that the poor rate assessment is not conclusive evidence as to annual value. (*Walker* v. *Brisley*, 1900.)

The rent paid for licensed premises very frequently fails to express the full consideration for the lease. Sometimes the tenant pays "interest" on sums expended by the landlord by way of improvements or on the capital value of the fittings. This "interest" should manifestly be added to the rent in ascertaining the full annual value. In the case of a tied house further additions usually require to be made, for the terms of the lease will probably be as follows. The landlords (who are brewers) let the premises to a tenant at a rent considerably below the annual value, but bind him to purchase all his liquors from them. In selling him these liquors they do not allow the liberal discount which competition requires them to allow to tenants of free houses. Instead of 20 per

LICENSED PREMISES—(*contd.*)

cent. they allow, say, 8 per cent., and it is evident that the difference (12 per cent.) is a charge made by them to a large extent to counterbalance the inadequacy of the rent. The following example will illustrate the method by which the approximate annual value may be ascertained—

STATEMENT OF TRADE OF J. SMITH

TENANT OF THE "X" PUBLIC HOUSE, TIED TO HAMPTON & Co., BREWERS

Rent paid	£40
Rent paid for stable	10
Interest on sums expended on improvements (5 % on £200)	10
Interest on value of fixtures (5 % on £80)	4
Beer bills last year £400, less discount at 8%	368
Spirit bills last year £100, less discount at 10%	90

(N.B.—To free tenants Hampton & Co. allow 20% discount on beer and 30% on spirits.)

ANNUAL VALUE UNDER SCHEDULE A

Nominal rent		£40
Rent of stable		10
Annual value of improvements		10
Annual value of fixtures		4
Discount *not* allowed on beer (£400 at 12%)	£48	
" " " spirit (£100 at 20%)	20	
	£68	
Say one-half to be added to the inadequate rent		34
Annual Value		£98

There can be no general rule as to the proportion of the "discount not allowed," which should be regarded as counterbalancing the inadequate rent. It is no doubt true that brewers would not allow to a tied tenant the full discount which competition would force them to allow to a free tenant, even though the tied tenant paid a full rent. This being so, some portion of the "discount not allowed" should be attributed to their having secured a monopoly, and this portion could have no connection with the annual value of the premises. In the illustration given above the portion is assumed to be one-half, but each case should be considered on its merits and with some regard to the result of the calculation. Thus, if the "X" public-house were on a level with neighbouring free houses let at £100, this fact would suggest that the calculation made above was satisfactory. But neither the assessor nor the

LICENSED PREMISES—(*contd.*)

person assessed would hesitate to challenge any calculation so made if the result were considerably below or considerably above the ascertained annual value of similar premises. A house managed by brewers should be treated under the same rules, with the alterations which the conditions require.

An alternative method is to divide the nett profit between the tenant (reward for services) and the landlord (annual value of premises).

The assessment on the tenant under Schedule D has nothing to do with the conditions of his tenancy. The only question is what profits he himself makes under those conditions. Thus in the example given above, the assessment on J. Smith's profits cannot be affected by the fact that his brewers allow 20 per cent. discount to other people. His trading account might be drawn out as shown on the next page.

The following adjustments must be made—

Balance of account	£98
Add Income tax (*g*)	1
Rent and Interest (*h*)	64
⅛ Rates and House Duty (*h*)	9
⅛ Water and Lighting (*h*)	4
Goods consumed by J. Smith and family (*h*)	40
	216
Deduct[1] ⅔ Schedule A Assessment (*h*)	66
Profit for income tax purposes	£150

The adjustments are made in accordance with the general rules given in Chapter II, and the letters in brackets against the items added back refer to the rules contained in that chapter. These rules are applicable to all traders, and no special comment is needed here.

If J. Smith had kept no accounts his liability might have been estimated as shown on page 341, the profit being £81.

This balance of profit will require adjustments for income tax purposes as were shown above in the case of the account. It should be observed, however, that no estimate of profit can be satisfactory where no accounts are kept. Items (*b*), (*c*), and (*e*) may be estimated fairly closely but not accurately. Items (*g*), (*i*) and (*j*) cannot be estimated with any assurance of close approximation. When the

[1] See under BUSINESS PREMISES as regards a case in which a two-thirds allowance is inadequate.

LICENSED PREMISES—(*contd.*)

TRADING ACCOUNT OF J. SMITH, 19...

Jan. 1	Beer in hand, at purchase price	£54	Dec. 31	Total receipts .. (debts fairly constant, therefore ignored)	£1,047
	Spirit in hand, at purchase price	18			
	Cigars, etc., do. ..	7		Beer in hand, at purchase price	63
Dec. 31	Beer bills during the year ..	368		Spirits in hand, at purchase price	17
	Spirits, do. ..	90		Cigars, etc., in hand, at purchase price ..	6
	Cigars, etc., do. ..	20			
	Cost of refreshments	90			
	Rent of house and stable	50			
	Interest on Fixtures and Improvements ..	14			
	Rates	25			
	Water	7			
	Lighting	23			
	House Duty ..	2			
	Licence and Compensation Fund Charge ..	48			
	Wages, potman and two barmaids	140			
	Keep of potman and 2 barmaids	78			
	Income tax ..	1			
	Balance profit ..	98			
		£1,133			£1,133

trader has to convince the commissioners of the reliability of his estimates he is likely to meet with considerable difficulty, and the assessment will no doubt include a margin for possible errors made by the trader in his own favour. In the illustration given the estimated profit is shown as £81, being £17 less than the profit shown by the account (£98). A publican handing up the estimate referred to must expect an assessment of something like £200 (in place of £150 which an account would have shown had it been prepared). He cannot be urged too strongly to keep a proper record of his trading. Howbeit, when no account has been kept, an estimate on the lines suggested above is the best substitute.

If a tenant pays rent £40 but is assessed to income tax under Schedule A (property tax) on £90 gross, £75 nett, it is only reasonable

LICENSED PREMISES—*(contd.)*

(*a*) Beer purchased as per bills, 10,500 gallons ..	£368		
(*b*) ,, sold, 10,000 galls. at 1s. 4d. average price ..	667		
(*c*) (500 galls waste)	—		
Gross profit on beer		£299	
(*d*) Spirits purchased as per bills, various	90		
(*e*) ,, sold, estimated at 100% profit	180		
Gross profit on spirits		90	
(*f*) Cigars, etc., purchased as per bills	20		
(*g*) ,, sold, estimated at 75% profit	35		
Gross profit on Cigars, etc. ..		15	
(*h*) Refreshments, etc., purchased as per bills ..	60		
(*i*) ,, ,, ,, without bills, estimated	40		
	100		
(*j*) Refreshments sold estimated at £3 per week ..	156		
Gross profit on refreshment ..		56	
Total gross profit ..		460	
Expenses—Rent and interest to brewers	54		
Rates, water, lighting and house duty ..	58		
Licence and Compensation Fund Charge ..	48		
Wages, potman and 2 barmaids	140		
Keep of ,, ,, ,, ...	78		
Income tax	1		
Total expenses		379	
Nett Profit		£81	

that he should charge £75 against his trade profits in respect of his premises (subject to the usual adjustment on account of his private quarters). He may only deduct tax on £40 from his rent, and must bear tax on £35 himself. In any claim to the personal allowances and deductions, that £35 must be regarded as part of his income if the full £75 has been charged against his profits. If he is still exempt the assessment under Schedule A may be reduced to £40.

A tenant's right to deduct tax from his rents is dealt with under RENT. That right is not restricted by the fact that the tenant may not pay the full rent by reason of a deduction on account of the landlord's share of the compensation fund charge. (*Hancock* v. *Gillard*, 1907.)

LICENSED PREMISES—(*contd.*)

The last matter for consideration is the position of brewers with regard to houses under management and to tied houses. In the former case there is very little difficulty, for the actual profits or losses are brought into their accounts with the results of their brewing business proper. They are the occupiers of these houses through their managers. As far as such houses are concerned they are publicans, and all outgoings and receipts are regarded as pertaining to their normal business. There are, of course, the general restrictions which apply to any other publican who rents or has a lease of his premises. No capital expense may be charged against revenue. Where the brewers purchase property they may not charge the price against their profits, but each year they should charge the annual value of the premises in question. Similarly the expense of improvements, or of the adaptation of property for their particular requirements, is a capital charge. But in these and all other matters they are under the same rules as publicans who are not brewers.

The case is different with regard to tied houses. Such premises are occupied by the tenant, and it is the tenant who carries on the business of publican. Until recently, it has been held that the brewers might not keep their accounts (for income tax purposes) as if they carry on the business. Moreover, the brewer's connection with his tied houses was for many years regarded as that of a trader who deals in property for the advantage of his trade—the dealing in property being quite distinct from the trade. Thus, a brewery paid certain money for the premium of a lease of premises afterwards re-let as a tied house. It claimed a deduction from its profits in respect of the gradual exhaustion of the lease, but this was not allowed. The expense was characterized as a disbursement for the purpose of increasing the sale of beer, and as such was not allowed as a deduction. "There are two distinct things," said a judge; "the trade and the house—they are generally distinct, and I think on that ground the expense incurred in respect of the house cannot be deducted. . . . If there is a lease (between brewer and tenant) and the rent does not equal that which the brewer has to pay for it, surely he cannot deduct the difference as an expense of trade." (*Watney & Co.* v.

LICENSED PREMISES—(*contd.*)

Musgrave, 1880.) In a subsequent case, brewers were refused permission to charge in their accounts the amounts expended in the repairs of tied houses in excess of the allowances under Schedule A. "They have been buying tied houses for the purpose of extending their trade. . . . It is impossible to allege that the whole of this money for repairs of the public-house was laid out exclusively for the trade of brewer." (A judge in *Brickwood & Co.* v. *Reynolds*, 1898, referring to the provision that no deduction may be made from profits except money wholly or exclusively laid out or expended for the purpose of the trade assessed.) In *Southwell* v. *Savill Bros., Ltd.*, 1901, the company made certain payments to the owners of public-houses for the right to call for the surrender of their licences if its own applications for new licences were successful. It was held that such payments should be treated as investments of capital. The only case at all similar to these won by a brewery before 1910 was decided on the same principle as is indicated above. A brewery lent money to its customers on the security of public-houses. It claimed to be allowed to deduct from its profits such losses as it incurred in the case of houses which proved to be of insufficient value to cover the loans. The claim was allowed on the ground that it was part of the brewery's business to lend money to customers. "The appellants carry on the brewing business with this business of money lending as a branch or adjunct to it." "It would be a fallacy to call this money capital invested." (Judges in *Reid's Brewery Co., Ltd.* v. *Male*, 1891.) The principle has been clearly stated, therefore, that expense is only allowable as a deduction if it is incurred in the carrying on of the business on which the assessment is made. The lending of money to customers may be regarded as part of a brewer's trade, but all disbursements in regard to tied houses are outside the trade of brewing—this was the law until the case of *Smith* v. *Lion Brewery Co., Ltd.*, 1910. This company claimed to charge in its accounts the amounts ultimately borne by it in respect of the compensation fund charges on its tied houses. The local commissioners decided in the company's favour; the Court of King's Bench reversed the decision; the Court of Appeal (by two judges to one) decided in the company's favour; in the House of Lords the opinions were equally divided,

LICENSED PREMISES—(*contd.*)

and the judgment of the Court of Appeal was therefore sustained. It may be well to state the reasons on which the opposing opinions in the House of Lords were based. Against the company, the Lord Chancellor expressed himself as follows : " The Lion Brewery Company's trade is that of manufacturing and selling beer wholesale. . . . It must be taken that the motive of the Brewery Company in owning tied houses was simply and solely to obtain a reliable market for their beer. . . The company owned the tied houses for that reason, and it was essential to their trade to own them." . . . (As to the nature of the compensation fund charge) : " When a public-house is deprived of its licence under the Act of 1904 a trade is destroyed. It is the retail trade which is destroyed comprising the sale of wines and spirits as well as the sale of beer. That is the loss which is to be compensated, and the owner of the house shares in the compensation because a house with a licence is more valuable than a house without a licence" . . . (Reasons for refusing the deduction) : " In the first place the levy . . . is laid out or expended for the purpose of insuring against loss by destruction of the retail trade authorized by the licence, which is that of selling wine and spirits and not beer alone. . . . The Lion Brewery Company . . . has nothing to do with wines and spirits. In the second place, *it is only in the character of owners of a house that the Lion Brewery Company can be called upon to pay this levy at all.* . . . You cannot, by saying that a man carries on the business of owning house property, shift the method of assessing that property for income tax from Schedule A to Schedule D." Lord Atkinson expressed a contrary opinion as follows : " The system of selling the respondents' beer through the instrumentality of licensed houses tied to their brewery by covenant, is found to be a necessary incident to the profitable conduct by them of their trade as manufacturers and vendors of beer. . . . It certainly would appear to me that *where a trader deliberately acquires any particular interest in the licensed premises, wholly and exclusively for the purpose of using that interest to secure a market for the commodities he manufactures, the money he must spend to satisfy the charge thus imposed* (the compensation fund charge) *is necessarily disbursed wholly and exclusively for the purpose of this his trade.* . . ." (In answer to

LICENSED PREMISES—(*contd.*)

arguments against this view): "It is urged that the landlord pays his contribution as landlord. . . . That no doubt is so, but the company have been landlords for the purpose solely and exclusively of setting up the tied-house system of trading. . . . It was argued that regard must be had to the purpose to which the contribution was devoted. I think . . . that this is an altogether irrelevant matter (proceeding to cite the case of a pawnbroker's licence duty which the State might appropriate to the support of the army, etc., without its ceasing to be allowed as a deduction from the pawnbroker's profits). But even if it were otherwise . . . the contribution is a payment by way of insurance premium against the loss of the licence, which means . . . as regards the landlord, an insurance against the loss of a market for the sale of his beer. . . ." (As regards the spirits and wine included in the licence): "It matters not to them (the brewers) in respect of what trading, in addition to the trading in beer, the liability for the entire contributions incurred. They deliberately assume the liability for the landlord's share of it solely to get a market for their beer, and therefore the payment of it is a disbursement made wholly and exclusively for the purposes of their trade as vendors of beer."

It will be observed that the judges' *dicta* are far-reaching. The words italicized are exceedingly important in that they state the case for and against the inclusion in a brewer's accounts of all charges in connection with his tied houses. In law, however, the decision was limited strictly to the compensation fund charge and the decisions in the cases first stated remained undisturbed. The cases to be referred to carried the matter much further.

In *Youngs, Crawshay & Youngs, Ltd.* v. *Brooke* (*High Court*, 1912), a brewery was allowed to charge the following items in its accounts, for purpose of its own Schedule D assessment—

(1) Compensation Fund Levy on tied houses borne by the brewery.

(2) Premiums paid by the brewery for the insurance of its tied houses against fire.

(3) The differences between the Schedule A assessments (on tied houses owned) or the rents paid by the brewery (for tied houses rented), and the rents received from the tied tenants.

LICENSED PREMISES—(*contd.*)

(4) The replacement of fixtures and fittings of tied houses.

(5) The cost of repairs to tied houses.

Counsel for the Crown admitted that he could not contest the case, having regard to the finding of the Commissioners as a fact that the expenses were incurred for the purposes of the business.

In *Usher's Wiltshire Brewery, Ltd.* v. *Bruce* (*House of Lords*, 1914), the principle of the case previously cited was confirmed as regards (1), (2), (3) and (5), also as regards (6) licence insurance premiums, (7) rates and taxes, and (8) legal and other costs in connection with the tied houses. As this case has reversed the practice of many years and is of general application, the following dicta will be of interest—

Lord Loreburn : " In all instances the sums here sought to be brought into account are voluntarily given to or paid for the tenants simply in order that the tied houses may be able to sell more of their landlord's liquor. If their leases alone were considered, the tenants are bound to pay some of these moneys themselves."

On general principles—Lord Atkinson : " Where a trader *bonâ fide* creates in himself or acquires a particular estate or interest in premises wholly and exclusively for the purposes of using that interest to secure a better market for the commodities which it is part of his trade to vend, the money devoted by him to discharge a liability, imposed by statute on that estate or interest, or upon him as the owner of it, should be taken to have been expended by him wholly and exclusively for the purposes of his trade." Lord Parker : " The tie enables the appellants to obtain from their tenants a higher price for the ale and beer which they brew, and the wines and spirits which they purchase elsewhere, than they can obtain from their other customers. Their profits are thus materially increased by the purchase and lease of the licensed houses in question, and it is solely with a view to such increase that these houses have been acquired and are let. Obviously the increased profits are assessable to Income Tax under Schedule D, and, therefore, all necessary cost and expenditure entailed by their possession must necessarily be brought into account in ascertaining the balance of profits and gains of the trade."

LICENSED PREMISES—(*contd.*)

On particular items referred to above—(1) followed *Smith* v. *Lion Brewery* (p. 317). (2), (6), (7), (8) Lord Parker : " My lords, the appellants claim deductions under three other heads : (2) Fire and (6) licence insurance premiums, (7) rates and taxes, and (8) legal and other costs. The Attorney-General did not object to these deductions being allowed ; and, indeed, having regard to what I have already said and to the facts admitted, it would be difficult to contend that they were not proper and necessary deductions in ascertaining the balance of profits and gains of the appellants' trade." (3) Lord Loreburn : " It is agreed that this letting at reduced rent is made solely to get the trade, which the using of the tied house affords, and so to swell the profits of the brewery business. On ordinary principles of commercial trading such loss arising from letting tied houses at reduced rents is obviously a sound commercial outlay. Therefore this item must be deducted." Lord Parker : " The only remaining point on this part of the case is the amount to be deducted in respect of annual value : Is it the full Schedule A assessment or is it such assessment less the one-sixth referred to in Section 35 of the Act of 1894 ? In default of any statutory provision to the contrary, it would clearly be the full amount of the assessment. But the ninth section of the Finance Act, 1898, provides that where in estimating the amount of annual profits or gains for the purpose of Schedule D, any sum is deducted on account of the annual value of the premises used for the purposes of such trade, the sum so deducted is not to exceed the amount of the Schedule A assessment as reduced for the purpose of collection under Section 35 of the Finance Act, 1894. Can these tied houses be said to be used for the purposes of the brewery business within the meaning of this section ? They cannot be said to be so used in the ordinary sense of the word. Premises used for the purposes of trade are *primâ facie* in the possession of the person carrying on the trade, and the person carrying on the trade will be assessable to Income Tax under Schedule A in respect of them. In the present case, the section would clearly apply in assessing the trade profits of the tenants of the licensed houses ; but I have come to the conclusion that such application will exhaust its effect, and that it cannot

LICENSED PREMISES—(*contd.*)

also apply in assessing the trade profits of the appellants." (5) Lord Loreburn : " The cost is incurred not as a matter of charity, but of commercial expediency, and is necessary in order to avoid the loss of tenants and consequent transfers, to which the licensing justices object. In Rule 3 of the First Case there is a statutory direction : ' In estimating the balance of profits and gains chargeable under Schedule D, no deduction is to be allowed for repairs of premises occupied for the purpose of such trade . . . beyond the sum usually expended for such purposes according to an average of three years preceding the year in which such assessment shall be made.' This means, I think, that when a man occupies premises for the purpose of his trade, he is not to make any deduction beyond the three years' average for repairs of the premises he so occupies. He is estimating the balance of profits of his own trade and deducting the repairs of premises which he occupies for the purpose of that trade. In this case he does not occupy the tied houses at all, and he is not estimating the balance of profits of the tied house trade. Therefore, the Rule cited does not apply, and the repairs in question do not fall within the Rule. The cost of them can be deducted by the brewery company as part of the cost of earning their own profits, being, admittedly, reasonable in amount."

In concluding these notes as to the position of a brewer in regard to his tied houses, it may be repeated that, as the law now stands, he may charge as an expense in his accounts the portion of the compensation fund charge borne by him, and almost all other expenses connected with the licensed premises in question. See under BREWERS for a brief summary.

LICENCES.

Where it is necessary for a trader to take out a licence, and to make an annual payment therefor, in order that he may carry on the business in respect of which he is assessed, the payment so made is allowable as a deduction in his accounts. In the case of *Smith* v. *Lion Brewery Co., Ltd.*, 1910, Lord Atkinson cited the licence duties imposed on publicans, pawnbrokers, and auctioneers in illustration of allowable deductions. " Such duties as these can,

LICENCES—(*contd.*)

as I understand," said he, "admittedly be properly deducted from the gains and profits earned in the authorized trades by the persons who pay them."

Payments made for the right to *enter* a profession may not be deducted from the first year's or any other profits. They are regarded as capital outlay.

See also under LICENSED PREMISES.

LIFE ASSURANCE.

See Chapter VI.

LIGHTING.

The expense of lighting may be the cause of some difficulty when the trader assessed resides on his business premises. There is no direction in the Acts as to the proportion of such outlay which may be charged as a trade expense, and the only rule, therefore, is that a trader should charge just the proportion as may fairly be held to relate to his business. This proportion may be got at by comparing his trade with his domestic requirements, with special regard to the number of burners or lamps and to the time over which they are in use.

LIQUIDATION.

The responsibilities of a liquidator of a company are not defined in the Income Tax Acts, but such an official is bound by the various Companies Acts, and by the fact that income tax assessed on the company is a debt due to the Crown by that company or its legal representative.

First, he should remember that the fact of liquidation does not discharge a liability to income tax on the part of the company if it exists apart from that fact. He has three courses open to him. He may pay the duty as assessed ; he may claim any adjustment of the assessment as stated under CESSATION OF BUSINESS and under Loss ; or he may endeavour to avoid payment by alleging a lack of funds. As regards the second alternative it should be noted that a claim may be made by him only as the representative of the company, and only if there exists a title to the relief claimed, apart

LIQUIDATION—(*contd.*)

from the fact of liquidation. Thus, if he is continuing the business, that business cannot be the subject of a claim on the ground of its cessation. Similarly, a loss may be alleged only if a loss was incurred during the year in respect of which the assessment was made. As regards the third alternative, in cases of insolvency the Crown has a prior claim over all other debts except a landlord's suit for rent. The prior claim is limited to the payment of one year's duty, and any other tax due falls to be dealt with as other debts. This rule should be read in conjunction with the elaborate regulations issued by the Board of Trade.

Secondly, a liquidator should remember that liability to income tax may arise while he has charge of the company's affairs. If he is carrying on the business he is assessable in respect of any profits made, and in any case he is liable to tax on the amount of any interest accruing to the company. (*I.A.T.*, 1918, *s.* 1; and *Schedule D, No. III, Rule* 1; see also under INTEREST.) If the concern makes a loss while the interest is accruing, he may set the former against the latter as explained under Loss. Otherwise he must pay any tax assessed thereon without hope of recovery. If he pays any annual interest or interest "not payable out of profits charged," he must deduct tax therefrom, and hand it to the Revenue. (See under INTEREST as to the deduction of tax therefrom.) A liquidator is not obliged to deduct tax from any directors' fees paid by him, although this is frequently done for the convenience of these gentlemen.

Whatever the liability may be, the liquidator is personally responsible for its discharge. It has been held, under the Companies Winding-up Act, 1890, s. 10, that in distributing the assets of a company without paying the income tax due, the liquidators misapplied the assets and must themselves pay the debt. A writ of attachment becomes issuable in such a case as a matter of right. (*In re Watchmakers' Alliance and Ernest Goodes' Stores, Ltd.*, 1905.) In any case where there is a chance of such liability existing, a liquidator would be well advised to settle the question with the surveyor of taxes before he distributes the assets.

The question whether payments made to shareholders or debenture-holders out of the proceeds of the realization of a company's

LIQUIDATION—(*contd.*)

assets, should be regarded as interest or capital, is one for the Court which makes the order for distribution. In *Smith* v. *Law Guarantee and Trust Society, Ltd.* (1904), it had been provided in a debenture trust deed that the proceeds of the realization of the assets of the company concerned should be appropriated first to the payment of arrears of debenture interest and then to the repayment of the principal. An order of the Court was obtained that such proceeds should be paid on account generally of principal and interest, and in fact the sums realized proved to be less than the amount of the principal. It was held that the proviso first referred to was intended for the protection of the debenture-holders and (in consideration of the open terms of the order made by the Court) that did they so elect the moneys paid them should be regarded as repayment of the principal sums, in which case income tax should not be deducted therefrom.

As regards a gift to a liquidator see *Cowan* v. *Seymour* under SCHEDULE E.

LITERARY COPYRIGHT.

Income arising from literary copyright may be assessable—

(*a*) Under Case I or II of Schedule D, if it is the result of labour which is so persistent as to be regarded as a trade or profession;

(*b*) Under Case III of Schedule D, if it is not within Case I or II but is a profit of an uncertain annual value; or

(*c*) Under Case VI of Schedule D, if it is an annual profit and does not fall within Case I, II, or Case III.

In the case of literary profit there is very little distinction between liability under Case III and under Case VI, but there is a clear difference between such liability and liability under Case I or II. The profit which accrues from a single book can hardly fall under the last-mentioned cases, inasmuch as the sale of the copyright of one book cannot constitute the carrying on of a trade, etc. If such income is received in the form of an annual royalty, this royalty would fall to be assessed under Case III or Case VI, probably under the latter, as the former is only intended, in this connection, to pick up any liability which escapes the other cases. If one book is sold for a lump sum it is probable that there is no liability in respect of

LITERARY COPYRIGHT—(*contd.*)

that sum. The profits of several books or articles are assessable under Case I or II. A deduction may be claimed for any expenses directly incurred in the production and sale of the literature, including paper, postage, and the repairs (but not the purchase) of a typewriter.

An assessment under Case I or II should be based on the profits of the following periods: in the first year, on the profits of that year; in the second year, on the profits of the first year (subject to an adjustment to the profits of the second year if claimed by the taxpayer, see Chapter IV); in the third year, on the average profits of the first and second years (also subject to an adjustment similar to that just mentioned); in the fourth and any subsequent year, on the average profits of the three preceding years.

An assessment under Case III is based on the profit of the year preceding the year of assessment. See under SCHEDULE D for the rules in detail.

An assessment under Case VI must be returned on the profits of the year, or on such average as the case may fairly require. The basis of the return is required to be stated, and the local commissioners may accept it or vary it as they think necessary.

LITERARY INSTITUTIONS.

A literary institution is entitled to exemption from income tax under Schedule A (property tax) in respect of any building which is the property of such institution, and is used solely for its own purposes. No payment may be demanded or made for any instruction afforded there by lectures or otherwise, nor may the building be occupied by any officer or person paying rent for the same. (*I.T.A.*, 1918, *Schedule A, No. VI, Rule* 1 (*e*).)

A free library is within the exemption. (See under LIBRARIES.) The "property of such institution" has been held to mean "no more than that it is property appropriated to and applied for its purposes." (Lord Herschell in *Mayor of Manchester* v. *McAdam*, 1896.) Thus, if a corporation were to allocate a building, gratuitously, to a literary institution, the building would be regarded as the property of the institution. If a rent were paid the exemption would not apply.

LITERARY INSTITUTIONS—(*contd.*)

The exemption is required to be claimed before the local commissioners of income tax. A literary institution may be able to obtain the return of tax deducted from certain sources of income, if it is of a charitable nature. See under CHARITIES, as regards the rather broad meaning of this word, and the provisions for repayment.

See also under SCIENTIFIC INSTITUTIONS, with particular reference to professional institutions.

LOANS LOST.

It may be well first to cite two cases in this connection, and then to distinguish between them. In *Reid's Brewery Co., Ltd.* v. *Male*, 1891, a deduction was allowed from the company's profits in respect of the loss of sums lent to its customers on the security of public-houses which proved insufficient to cover the loan. In *English Crown Spelter Co., Ltd.* v. *Baker*, 1908, a zinc smelting company assisted, by loans, a second company formed to supply it with blende. The latter company failed and the moneys lent were lost. It was held that such losses should not be deducted from the profits of the former company.

The distinction is as follows: The brewery company lent money in the course of its trade and as a part thereof. The judges remarked "The appellants carry on the brewing business with this business of money-lending as a branch or adjunct to it. . . . It would be a fallacy to call this money capital invested." On the other hand, the zinc smelting company were held to have invested the money lent to the blende company. The money was certainly lent for the benefit of the business; but the transaction was still of the nature of an investment.

It follows, therefore, that losses of such loans as will now be mentioned may be regarded as trading losses, viz., money lent by a pawnbroker on security which by some chance proved to be insufficient; money advanced by a trader (as part of a general system) on the security of goods sold by him; money advanced by a wholesale firm to retail tradesmen on the security of their businesses; loans made by a banker, money-lender, stock-broker, etc. These loans are all made in the course of trading.

LOANS LOST—(*contd.*)

Losses incurred in loans of the following nature may not be regarded as trading losses, viz., a loan made by a pawnbroker to a fellow-tradesman or friend without security; an isolated advance made by a trader to a customer or other person; money advanced by one firm to another as an investment. These loans are probably investments of capital, but in any case are not disbursements "wholly or exclusively laid out or expended for the purpose of" the trade of the lender.

The important question remains: "Is money-lending a part of the business of the trader or company in question?"

LOCUM TENENS.

See under SUBSTITUTE.

LODGERS.

See under APARTMENTS; PAYING GUESTS.

A householder is required to prepare a return of lodgers residing in his house when a form is served on him for the purpose. He will save trouble to his lodgers by adding, in the column provided, such other addresses of his lodgers at which they are dealt with for purposes of income tax. (*I.T.A.*, 1918, *s.* 104.)

LONDON.

London is within the rules which apply to all other towns and places in England save as regards assessments under Schedule A. For purposes of such assessments the local commissioners of income tax are required to accept the valuations made by the rating assessment committees as finally fixed by such committees, or on appeal to any sessions or superior Court. The amounts entered in the gross estimated rental columns of the poor rate assessments are deemed to represent the respective annual values of the properties concerned. (*Valuation* (*Metropolis*) *Act*, 1869.)

It follows, therefore, that in order to secure the reduction of an assessment under Schedule A within the metropolis, the taxpayer should appeal against his poor rate assessment. The income tax and house-duty assessments will be reduced automatically if he is successful in this application.

LOSS.

Two principles apply in a broad sense to all assessments to income tax. First, the basis of assessment is what may be termed the *legal* income, as opposed to the *actual* income of the person assessed. Secondly, an assessment cannot be made on a negative amount and, therefore, the legal income cannot be a minus quantity however large a loss has been incurred.

It follows from the first principle that if the legal income is, say, £500, the assessment must remain at that figure whatever may be the amount of the actual income. It follows from the second principle that if the average result of three years' trading is a loss of £500, the legal income can at the very least be *nil*. In this sense the Income Tax Acts are said to take no regard of losses, save for the adjustment allowed under the special enactment which will be explained. The difference between the legal income and the actual income is caused by the fact that the former usually represents the average income of certain past years. This average may result in a considerable profit, while the actual trading of the year may have entailed a loss. It is important to remember that the legal income still remains the basis of assessment. The loss will fall into the average for the three succeeding years, and in most cases this system will result in the aggregate of the legal incomes of a number of years closely approximating to the aggregate of the actual incomes of those years. But the application of the second principle referred to will sometimes prevent this approximation. Let the following figures be taken to represent the average profit or loss of a trader—

1918	..	.. Profit	£100	1919	..	.. Profit	£200
1919	..	.. Profit	200	1920	..	.. Loss	600
1920	..	.. Loss	600	1921	..	.. Profit	500
Aggregate	..	Loss	300	Aggregate	..	Profit	100
Average loss	..		£100	Average profit	..		£33
Legal income for 1921, *Nil*				Legal income for 1922, £33			

Now, a trader might contend that whereas the average income for 1921 was *minus* £100, and the legal income for that year was merely *nil*, some allowance should be made from the average and legal income for 1922. But no such allowance may be made.

LOSS—(*contd.*)

The legal income is never a minus quantity. If the 1920 loss is so large that its full force cannot be felt in the three years 1921, 1922, and 1923, into whose average it falls, then the excess of that loss is disregarded and the taxpayer suffers accordingly. This hardship is still more obvious if it is assumed that the trader has other legal income of, say, £800 on which tax has been paid in 1921. His aggregate income is really £800 less an average loss of £100; it is assumed to be £800 plus a legal income of *nil*.

To meet this injustice, a special provision (*I.T.A.*, 1918, *s.* 34) has been passed into law, whereby a taxpayer whose trading results in a loss may claim the benefit of that loss at once instead of bringing it into the next three years' averages, and thereby securing one-third of its effect in each of those years. In the illustration given above (and assuming that the trader has, in 1920, paid tax on £800 income from other sources), he may set the £600 actual loss against this other income of £800. He will be repaid tax on £600, but may not bring this loss into any future averages. The working for 1922 will be—

1919 ..	..	Profit £200
1920 ..	..	— *Nil*
1921 ..	..	Profit 500
		3)Profit £700
	Average	profit £233,

which is the legal income for 1922.

Various examples of this adjustment will be found in Chapter IV, but some perplexity may be avoided by this brief analysis of the legal considerations on which it is based.

Apart from the adjustment referred to, there is no method by which a large loss (that is, a loss large in comparison with the profits of surrounding years) may have its full effect on a trader's income tax liability. Even with the adjustment the hardship does not disappear in certain circumstances. If a concern incurs losses for several succeeding years and then makes profits, those profits are assessable irrespective of the losses not allowed for. No loss incurred outside the three preceding years (whose results form the average) may be regarded in fixing an income tax assessment.

LOSS—(*contd.*)

In the *College of Preceptors* v. *Jenkins* (1919) the college claimed that the loss on its working during the year was a trading loss in respect of which application might be made under the section now incorporated in the Income Tax Act, 1918, Section 34. The College was incorporated by Royal Charter " for the purpose of promoting sound learning and of advancing the interests of education, etc." The District Commissioners decided that the college was not a trade, adventure or concern, and therefore could not make a claim under the provision referred to. As no case for the High Court may be stated as regards an application under Section 34, the matter was not carried further, but the above facts are as shown in a case stated on other matters.

See under DEDUCTIONS, as regards disbursements (referred to as losses in certain circumstances) which may or may not be set against gross profits. See also under the next heading.

LOSSES IN OTHER CONCERNS.

In considering an income tax assessment on a particular source of income, a deduction may be allowed in respect of an average loss incurred in relation to another source of income, only if both sources are trades, manufactures, adventures or concerns in the nature of trades. (*I.T.A.*, 1918, *Schedule D, Nos. I and II, Rule* 13.) Professions, employments, vocations, foreign remittances and farms are sources of income which are not included within the provisions.

The set-off is allowed as follows: If a man trades as a grocer and elsewhere as a butcher, making an average profit of £300 and an average loss of £50 respectively, the assessment on the former business may be made on the sum of £250.

The provision under consideration has been held not to apply to losses sustained on a farm by a man who made a profit on a seed business (*Brown* v. *Watt*, 1886); neither to losses incurred in the production of a railway signal by a person assessed as a commercial traveller. (*Grimes* v. *Lethem*, 1898.) In every case to which the provision does not apply, a trading loss may be set against a profit by means of a repayment claim only, as explained in Chapter IV.

LUMP SUM PAYMENT.

In *Hancock* v. *General Reversionary and Investment Co., Ltd.* (1919), the facts were as follows : The company had for some time paid an annual pension to a former employee, but in 1913 had purchased an annuity for that form of employment in lieu of the pension. It was held that the lump sum paid by the company for the annuity should be treated as ordinary business expenditure. The Judge held that this payment was a pension in another form. It was an expense incurred in the business and so not in the nature of a capital composition.

See also under EMPLOYEES and GRATUITIES.

MACHINERY.

Expense incurred in maintaining machinery at an efficient level is usually charged, for income tax purposes, by reference to the wear and tear sustained in the course of its use. This subject is dealt with under DEPRECIATION. (See also under PLANT as regards the nature of the asset on which the allowance may be made.)

The expense of removing machinery from one workshop or yard to another was not an allowable deduction for income tax purposes. (*Granite Supply Association* v. *Kitton*, 1905.) See under REMOVALS, however.

In considering the annual value of any premises, with reference to an assessment thereon under Schedule A (property tax), the annual value of the machinery with which it is fitted should be taken into account. " Things which are there for the purpose of making and which do make the premises fit as premises for the particular purpose for which they are used, are to be taken into account in ascertaining the rateable value of such premises." (Lord Esher in *Tyne Boiler Works Co.* v. *Tynemouth Union*, 1886.) See the fuller note under ANNUAL VALUE.

MAINTENANCE OF FAMILY.

Expense incurred by a trader in maintaining himself or his family may not be charged as a deduction for income tax purposes. (*I.T.A.*, 1918, *Schedule D, Nos. I and II, Rule* 3 (*b*).) Where, however, a trader's sons or other relatives (except his wife) are employed in his business and are maintained by him as part remuneration

MAINTENANCE OF FAMILY—(*contd.*)

for their services, the cost of maintaining such relatives may be charged as a trading expense.

MAINTENANCE OF PROPERTY.

The allowances made from a Schedule A assessment and by repayment are dealt with under REPAIRS. No other allowance is made in respect of the maintenance of property.

MANAGER.

A manager is assessable on his average salary unless he is employed by a company, society or other body of persons (not including a firm). In the former case the assessment should be under Schedule D (*I.T.A.*, 1918, *Schedule D, Case II*); in the latter, under Schedule E. (*I.T.A.*, 1918, *Schedule E, Rule* 6.) In the latter case the average may not be allowed except sometimes on items of commission and similar "perquisites." An additional assessment must be made in respect of any increase of salary during the year. (*I.T.A.*, 1918, *Schedule E, Rule* 5.)

As regards business residences see under RENT-FREE RESIDENCE.

See also the next heading.

MANAGER'S REMUNERATION.

In *Johnston* v. *Chestergate Hat Manufacturing Co., Ltd.* (1915), an agreement between a company and its manager included a clause that the latter should receive a fixed salary and also additional remuneration based on the amount of the company's net profits. The clause further provided that for "the purposes of this clause the words 'net profits' shall be taken to mean the net sum available for dividends as certified by the auditors of the company after payment of all salaries (including the said salary of the said James Johnston), rent, interest at the rate of 5 per cent. per annum upon capital, and after making such allowances for depreciation as the auditors of the company may advise."

The auditors' certificate as to the "net profits available for dividend" indicated the profits remaining after payment of income tax.

It was held that income tax was part of the profits available

MANAGER'S REMUNERATION—(*contd.*)

for dividend, and that the auditors' certificate should be set aside.

Sargant, J.: "In my opinion, the matter is entirely covered by the judgments in the case of *Attorney-General* v. *Ashton Gas Co.* (page 308). If I were to allow, as the company claims that I should allow, the Income Tax to be deducted before arriving at 'the sum available for dividends' on which the amount payable to the plaintiff is to be calculated, I should be treating the Income Tax as an expense payable before the net profits were ascertained, instead of treating it, as I think I must do on the language of the Income Tax Act, as part of the net profits themselves. . . . It is possible that in extreme and hard cases the actual profits earned in any year by a company may be less than the amount of Income Tax which the company would have to pay to the Government in respect of the average of the profits of the three preceding years; but I do not think that that really makes any difference. Under Section 106 of the Act (1918), it seems to me that, strictly, the shareholders are bound to have distributed amongst them, by way of burden, the amount which the company has actually paid as tax in the year in question; and although it might be that the whole amount would be swallowed up in tax, I think that none the less it would be an amount available for dividend, although, unfortunately, instead of going into the pockets of the shareholders, it would go entirely to the Government."

MANOR.

Dues and other casual profits of a manor or other royalty are assessable on the average of the sums received within the seven preceding years. The assessment should be made on the lord of the manor or on the person who rents it from him. (*I.T.A.*, 1918, *Schedule A*, *No. II*, *Rule* 5.) No allowance may be made in respect of the cost of collecting the dues. (*Duke of Norfolk* v. *Lamarque*, 1890.) Manors extending into more than one parish may be charged in the parish where the court for such manor has usually been held. (*I.T.A.*, 1918, *Schedule A*, *No. IX*, *Rule* 3.)

MANUAL LABOUR.

See under QUARTERLY ASSESSMENTS.

MANUFACTURES.

The profits of manufactures are assessable under Case I of Schedule D, on the average of the three preceding years as explained in Chapter III. They are directed to be charged at the place of manufacture, and not at the place of sale (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 4), but a company is undoubtedly assessable at its registered office, where it may be said to carry on its business by reason of the seat of management being located there.

MARINE INSURANCE.

A difficulty arises in the assessment of the profits of a marine insurance business in that the profits are not known until the third year after a policy is issued. This difficulty is avoided by either of the following methods—

(*a*) Regard the profits of the year *for* which the accounts are just closed as being the profits of the year *in* which they are closed, *e.g.* base the 1919 assessment on the average profits of 1917, 1918, and 1919, for which years the books were closed in 1919, 1920, and 1921 respectively; or

(*b*) Charge losses incurred in years after that in which the insurances were undertaken, against the receipts of the year in which such losses are ascertained; under this system the assessment for 1922 will be based on the average profits of 1919, 1920, and 1921 of which the 1919 profits will be reckoned as follows—

Receipts in 1919 (say)		£10,000
General expenses in 1919	£1,000	
Losses ascertained in 1919—		
1919 A/c	3,000	
1918 A/c	4,000	
1917 A/c	1,000	
		9,000
Profit ..		£1,000

Duty deducted from taxed dividends cannot be recovered even though the nett profits (including the dividends) fall short of the amount of such dividends, unless the whole operations of the company (including premiums, dividends and all other receipts, less expenses) result in a loss. (See Chapter IV as to this exception.)

MARINERS.

The Commissioners of Inland Revenue have now adopted a standard arrangement with representatives of Lloyd's, and any underwriter may be dealt with thereunder.

A mariner may be liable to income tax even if he is out of the United Kingdom during the whole year of assessment. (*Rogers* v. *Inland Revenue*, 1879.) This is the effect of the rule that all persons who have residences in this country are liable (*a*) on all profits arising in this country and (*b*) on such parts of profits arising abroad which are sent or brought to this country. (*I.T.A.*, 1918, *Schedule D, Rule* 1.) If such a mariner is engaged and paid in this country the profits are deemed to arise here, but if not they are still assessable under (*b*). If a mariner has no residence in the United Kingdom and comes here for some temporary purpose only, and not with a view to establishing a residence (*I.T.A.*, 1918, *Schedule D, Miscellaneous, Rule* 2), he is not liable to be assessed save on the amount of profits which arise in this country. Wages paid here under an agreement made here, would fall within that description. The question of residence is dealt with under RESIDENCE.

A master mariner employed by a company is not entitled to be assessed on his average profits. (*I.T.A.*, 1918, *Schedule E, Rules* 2, 6.) Other master mariners have this right. (*I.T.A.*, 1918 *Schedule D, Case II.*)

MARKET GARDENS.

The profits of market gardens are assessable on the average which is applicable to trades. (See Chapter III.) When they are so ascertained the assessment should be made under Schedule B, but this is a matter of machinery immaterial to the person assessed. (*I.T.A.*, 1918, *Schedule B.*) There is no liability to house duty in respect of a market garden occupied by a market gardener for the sale of the produce thereof in the way of his trade or business. (*H.T.A.*, 1851, *s.* 3.)

MARKETS.

Profits arising in respect of the rights of markets are assessable under the third rule of No. III, Schedule A (*I.T.A.*, 1918, *Schedule A*,

MARKETS—(*contd.*)

No. III, Rule 3), on the amount accruing during the year preceding the year of assessment. In other respects they are assessable under the rules applicable to trades. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.)

See also under CORPORATIONS as to the assessments on public bodies owning such rights.

MARRIED WOMEN.

See under HUSBAND AND WIFE and Chapter V.

MEALS.

Expense incurred by a taxpayer in providing meals for himself while on business may not be charged against his profits. They are regarded as personal expenses, even although the exigencies of the business add to the normal cost of the meal. An employer is allowed to charge, however, the cost of meals provided for his employees as part of their remuneration. A person is assessable in respect of a monetary allowance received in lieu of food.

MEDICAL EXPENSES.

No deduction may be allowed from an assessment in respect of the cost of medical attendance, even though such attendance is made necessary by a mishap incurred in the course of business. " It does not follow that if a loss is in any sense connected with the trade it must always be allowed as a deduction. . . . I think only such losses can be deducted as are connected with it in the sense that they are really incidental to the trade itself." (Lord Chancellor in *Strong* v. *Woodifield*, 1906.) A mishap or disease is not incidental to a trade, but is a misfortune which may occur while the trade is being carried on.

If an employer provides medical attendance for his employees as part of their remuneration (or by way of contribution towards a National Health Insurance Benefit), he may charge his disbursements against his profits.

MILK DEALERS.

A milk seller is assessed under Schedule B on the amount of the annual value of his land if that land is sufficient to sustain all the

MILK DEALERS—(*contd.*)

cattle kept by him. In such a case the rules stated under FARMERS apply. Where, however, he keeps more cattle than can be sustained by the lands, the commissioners may assess him on the amount by which his profits in the preceding year exceed the Schedule B assessment. (*I.T.A.*, 1918, *Schedule D, No. III, Rule* 4, and *F.A.*, 1922, *s.* 23.)

MINES.

Mines are assessable on the average profits of the five years preceding the year for which the assessment is to be made. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 2.) They are chargeable according to the rules prescribed by Schedule D, so far as they are consistent with the rules of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.) In practice, a mine is assessed as any other trade concerns, except for the average indicated and for the fact that the charge is required to be made where the mine is situated, and not at the registered office of the company which owns it. The profits and losses of several mines owned by one person or concern may be aggregated and assessed in one sum in the parish where the greatest amount is chargeable. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 7.) The provisions relating to adjustments on the ground of loss due to a specific cause (see under SPECIFIC CAUSE) are applicable to mines (*e.g.*, in the case *Ryhope Coal Co.* v. *Foyer*, 1881) ; so also are the enactments cited under LOSS, NEW BUSINESS, and CESSATION. (A mine is referred to as a " concern in the nature of trade chargeable under Schedule A.") (*I.T.A.*, 1918, *s.* 212.)

No allowance may be claimed in consideration of the exhaustion of a mine, neither may the cost of pit-sinking be set against the profits. (" The making of a new pit is an expenditure of capital. Rule 3, Case I, provides that no sum shall be set against profits on account of any sum employed or intended to be employed as capital in such trade."—Lord President in the case *In re Addie & Sons*, 1875, confirmed in *Coltness Iron Co.* v. *Black*, 1881.)

The question sometimes arises as to what constitutes pit-sinking in this sense. In *Morant* v. *Wheal Grenville Mining Co.*, 1894,

MINES—(*contd.*)

Wright, J., remarked as follows: "One can very well imagine in cases of mines where the minerals lie at shallow depths and where it was necessary to open them out from time to time frequently by shallow shafts, that in those cases it might well be that the sinking of shafts would be properly treated as part of the ordinary working expenditure. On the other hand, you have a case where a large area of ground has been worked from one shaft, and it is apprehended that it will soon become impossible to work any further from that shaft and a new mine, so to speak, must be opened by a new shaft altogether." The inference is that the preparation of a way through the earth through which the exact situation of the minerals may be reached, is not an operation whose cost may be set against profits. The cost of the removal of earth and the extraction of minerals, where such minerals are close at hand, may be regarded as a trading expense. In a recent case (*Bonner* v. *Basset Mines, Ltd.*, 1913) it was held that the cost of deepening a shaft may not be allowed as a deduction from the assessable profits. The judge remarked that "the old mine had become practically, if not wholly, exhausted, and the Basset Mines, Ltd., by lengthening this shaft to the considerable extent they did, were in effect opening up a new mine in the same way as if they had started a fresh shaft."

Two cases of moderate importance may be mentioned. In *Broughton and Plas Power Coal Co., Ltd.* v. *Kirkpatrick*, 1884, it was held that a mine is assessable on its full profits without a deduction in respect of such portions of the royalties as were retained by the lessee in order to recoup himself for previous years' payments of dead rent in excess of the royalties due in those years. In *Hill* v. *Gregory*, 1912, it was decided that a colliery was not entitled to deduct tax from a payment of rent for the lease of minerals under certain ground (the surface of which was let to a farmer), which minerals had not in fact been the subject of any mining operations. The determining considerations were (*a*) that the colliery did not "occupy" the subject leased, and therefore, the provisions for the deduction of tax under Schedule A did not apply, and (*b*) that the deduction of tax from such a payment was not within the provisions of Schedule D. The rent was chargeable on the recipient under Schedule A, No. II, Rule VI.

MINISTERS.

See under CLERGYMEN AND MINISTERS.

MINORS.

The income of a minor is subject to taxation in the name of the trustee, guardian, etc., having the direction or control of the income of such minor; in such a case the trustee is required to make the returns and payments which would be required if the income were his own. (*I.T.A.*, 1918, *s.* 101; *All Schedules, Rules* 4, 13.) There is nothing to prevent a minor from being charged in his own name when his property or other source of income is under his own control.

The statutory allowances and deductions may be claimed where applicable. (See Chapter V.) Such claims should be made by a trustee in the circumstances first referred to under this heading, or in other circumstances by the minor.

Until 1917, no claim might be made in respect of income in which the minor had a contingent interest only, except on such portion as was expended on his maintenance, etc., under legal sanction. If certain shares, with the accumulating income therefrom, were bequeathed to a person subject to his reaching the age of twenty-one years, it is obvious that the dividends might prove not to be the property of the minor in question. No claim might be made, therefore, except by the minor when he reached the stipulated age, and even in this case the law restricted his claim to the past three years. (*I.T.A.*, 1918, *s.* 41.)

The *Income Tax Act*, 1918 (*ss.* 25, 41), contains a provision to meet the case of income accumulating under trusts, for the benefit of any person contingently on his attaining some specified age or marrying. Because the income was not necessarily his (if he did not attain the age or marry), repayment of tax charged thereon had hitherto been refused. When the contingency happened, and the income thereupon was paid to the person concerned, he was prevented from claiming for more than three years previously (see under TIME LIMIT). From 1917, however, a claim may be made for any number of back years within three years after the end of the income tax year in which the contingency happened.

The conditions laid down are—

(1) that the person concerned is entitled to repayment under

MINORS—(*contd.*)

the ordinary income tax rules relating to allowances and deductions. (Chapter V.)

(2) that the repayment shall be made by reference to the aggregate yearly income of the person concerned, including all income from trusts and any other sources ;

(3) that the repayment shall be for the aggregate (or balance of the) sums overcharged or undercharged in respect of all the years of the trust taken together.

	Income other than Accumulating Income.	*Accumulating Income.*	*Aggregate Income.*
	£	£	£
1910	300	350	650
1911	200	350	550
1912	100	350	450
1913	50	350	400
1914	50	350	400
1915	20	350	370
1916	100	350	450
1917	200	350	550
1918	300	350	650
1919	400	350	750
1920	300	350	700
1921	350	350	700

[In 1910 an abatement of £160 was doubtless allowed in respect of the income of £300. For purposes of a claim under the section now in question, the aggregate income is £650 and the abatement due is £70. In this case an excessive abatement of £90 has been allowed. Similarly, for 1911 an excessive abatement of £40 (£160–£120) has been allowed. For 1912, however, exemption has been allowed on £100, whereas on the present claim an abatement of £150 is due. For 1913 a further allowance of £110 is due (160–£50), and similarly allowances are due from 1914 to 1916. For 1917, 1918 and 1919 an abatement of £120 was no doubt allowed, whereas the respective abatements due prove to be £100, £70 and NIL. For 1920 and 1921 the income in the first column would not exhaust the allowances and half rate due, therefore further claims would lie.

The person concerned must compute the tax overcharged or undercharged for each of the years during which the income has accumulated. If, in the aggregate or on the balance, there

MINORS—(*contd.*)

is repayment due to him, he will make the claim, but not otherwise] ;

(4) that the income which is accumulating does so in pursuance of the provisions of a will or settlement, though not necessarily under the direct requirement of such will ; and

(5) that the claim is made within three years from the end of the income tax year in which the contingency occurs.

In *Rex* v. *Commissioners of Taxes for the Newmarket Division of Suffolk* (ex parte *Huxley*) (1916), it was held that a minor, having no guardian, might be personally assessed in respect of his profits as jockey.

MISSIONARIES.

Any person who is employed in the service of any missionary society abroad is relieved from the operation of the rule which prevents persons not resident in the United Kingdom from claiming the personal allowances and deductions. Such a missionary may claim any of these allowances, but they may not serve to reduce his liability below a certain minimum as shown on page 44. A requirement of the last-mentioned condition is that all foreign or Colonial income must be included on the claim to relief. Such income will not become chargeable by reason of this provision, but it may so increase the total income as to deprive the claimant of the full benefit of the allowances otherwise due.

MONEY-LENDERS.

A money-lender's assessment provides an exception to the rule that all interest received is assessable as such, without any deduction whatsoever. Money lending may undoubtedly constitute a trade, in which case the trader's loans do not represent investments, and the interest thereon is the profit of a trade. This follows from the decision in *Smiles* v. *Australasian Mortgage and Agency Co., Ltd.*, 1888, where a wool-broking company which granted temporary advances on the security of wool, etc., was allowed to regard the interest received as part of its trading profit. A judge illustrated his view of the law by reference to a banking company which (*a*) received interests and discounts in the ordinary way of business,

MONEY-LENDERS—(*contd.*)

and (*b*) received interest on its investments. Interest received under (*a*) was stated to be assessable under Case I, Schedule D, after the expenses of trade had been deducted; but interest received under (*b*) to be assessable under Case III, Schedule D (or Case IV if remitted from abroad) on the full amount received.

It has also been held that where a person or company lends money as a trade, any losses of the money lent may be charged as trade expenses. (*Reid's Brewery Co., Ltd.* v. *Male*, 1891.)

A money-lender's income tax statement will, therefore, take the following form—

Sums received from clients during the year—(including principal and interest)	£10,000	
Value of debts owing at the end of the year ..	6,000	
		£16,000
Value of debts at the commencement of the year	4,000	
Sums advanced during the year	9,000	
		13,000
Gross profit		£3,000
Office and other expenses		1,000
Nett profit		£2,000

MORTGAGE INTEREST.

Mortgage interest is "annual interest," from which the payer may deduct tax at the rate, or proportion of rates, in force while the payment was accruing. He will have no allowance from his assessment in respect of such interest, but will recoup himself by making the deduction referred to. Thus, if his house is assessed at £35 nett, and he pays £10 interest a year, he will pay tax on £35, of which he will receive tax on £10 from the mortgagee, leaving tax on £25 to be borne by himself. If the payer is exempt he will still be required to pay tax on £10, which he will recover as shown. If the mortgagee is exempt he must still allow the deduction, but may claim repayment. He should obtain Form 185 from the inspector of taxes and get the mortgagee to complete it. (See page 88.)

Any contract for the payment of such interest without the deduction of tax is declared void (*I.T.A.*, 1918, *All Schedules, Rule* 23), and any person declining to allow the deduction is liable to heavy penalties.

See also under DEDUCTION OF TAX; INTEREST.

MOVABLE SUBJECTS INCLUDED IN A LEASE.

See under FIXTURES.

MUNICIPAL CORPORATIONS.

See under CORPORATIONS.

MUSICIANS.

See under BANDSMEN.

MUTUAL ASSOCIATIONS.

See under CO-OPERATIVE SOCIETIES, COMBINES, and INSURANCE COMPANIES.

See under CHARITIES for the case of *Linen, etc., Institution* v. *Inland Revenue* (1887).

NATIONAL WAR BONDS.

See under WAR SECURITIES.

NEW BUSINESS.

A new business is assessed (*a*) in the financial year in which it commences, on a fair average or proportion, as approved by the commissioners, (*b*) in the first complete financial year, on the profits of the first year of the concern; (*c*) in the second financial year, on the profits of the first year of the concern; (*d*) in the third financial year, on the average of the profits of years (*b*) and (*c*); in subsequent years, on the average of the profits of the three preceding years. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 1.)

(See under AVERAGE.)

The person assessed has an option as regards one or all of periods (*b*), (*c*) and (*d*) of being charged on the actual profits of the year of assessment. He should make a claim at the end of the year in question and without delay. The adjustment may be claimed in the case of a profession, trade or vocation—not in the case of an employment. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 8 (1).)

It should be noted that the provisions referred to above deal with a new business, and not with an old business which has come into new hands. (See under CHANGE OF PROPRIETORSHIP as regards the latter.) For the rules in detail and for specimen adjustments, etc., see Chapters III and IV.

NON-RESIDENTS.

A person who is not resident in the United Kingdom is liable to assessment in respect of any income which arises in this country. He is chargeable in the name of the agent who has the receipt of such income in the United Kingdom. (See under RESIDENCE for a detailed consideration of this rule; see also under FOREIGN for other headings under which the subject is dealt with.)

With few exceptions, a person who is not resident in the U.K. may make no claim to the personal allowances and deductions. (See under RESIDENCE as to what constitutes residence in the United Kingdom—the meaning of the term is not self-evident in this case.)

Exceptions are made in the cases of: a person who is or has been in the service of the Crown; a person who is employed in the service of any missionary society abroad; a person who is employed abroad in the service of a native state in the protectorate of the British Crown; a person who is a resident in the Isle of Man or Channel Island; a person who satisfies the Board of Inland Revenue that he is resident abroad for the sake of health; a widow whose late husband was in the service of the Crown. (*I.T.A.*, 1918, *s.* 26, as amended by *Finance Act*, 1919, *s.* 23.)

See also under BRITISH SUBJECTS; and see page 44 as to the minimum liability of persons within the exceptions.

A non-resident is not required to pay tax in respect of income which arises from foreign or colonial securities. Where tax has been deducted from such incomes by reason of payment being made through an agent or other person in the United Kingdom, the non-resident who has suffered tax may claim repayment within three years of the end of the year of assessment. Application should be made to the Board of Inland Revenue (Claim's Branch), London, W.C.2. (*I.T.A.*, 1918, *s.* 26, *Schedule C*, *Rule* 2 (*d*).) Where foreign or colonial securities are held under a trust, and the person who is the beneficiary in possession is the sole beneficiary in possession, and can call upon the trustees at any time to transfer the securities to him absolutely free from any trust, that person is deemed to be the person owning the securities and may claim the repayment referred to. (*I.T.A.*, 1918, *Schedule C*, *Rule* 2 (*d*).)

See under WAR SECURITIES as regards special exemptions granted to persons not ordinarily resident in this country.

NOTICES, SERVICE OF.

All notices may in future be served by post in such cases as the Board of Inland Revenue so requires. Any notice on an employee may be served at his place of employment. (*I.T.A.*, 1918, *s.* 220 (8).)

NURSERIES.

A nursery comes within the provisions relating to MARKET GARDENS. See under that heading. (See also under GLASS-HOUSES.)

OBSOLESCENCE.

If a machine in respect of which a depreciation allowance has been made is scrapped as obsolete, a deduction may be made from the profits of the year in which it was scrapped, equal to the written down value of that machine. The value of the machine in question will be excluded from future calculations of the depreciation allowance due, as is shown in the illustrations given under DEPRECIATION.

This was the effect of a long-standing concession now legalized. It refers to any trade, manufacture, adventure, or concern in the nature of trade chargeable under Schedule D, or any concern chargeable by reference to the rules of Schedule D. (The last description covers mines, collieries, railways, etc.)

The allowance is to be equal to so much of any amount expended in the year, in replacing any plant or machinery which has become obsolete, as is equivalent to the cost of the plant or machinery replaced. From the cost last referred to there is to be deducted a sum equal to the total amount of any allowances which have at any time been made under Schedule D, on account of depreciation of the plant and machinery replaced, also of any sum realized by the sale of that machinery or plant. The allowance in question is to be made from the profits of any concern before such profits are brought into the average for assessment under Schedule D.

The following example will illustrate the deduction in respect of obsolescence. A company's machinery has a written down value of £12,000 and includes a certain machine which cost £1,000 in 1908 and was scrapped as obsolete in 1921. The machinery has been written down at 5 per cent. per annum. The company's profits may be assumed to be £7,000 in 1919; £6,500 in 1920;

OBSOLESCENCE—*(contd.)*

£7,500 in 1921 (apart from the claim to an allowance for obsolescence). The written down value in 1921 of a machine which cost £1,000 in 1908, reckoning at 5 per cent. for thirteen years, is £513.

1919	Profit	£7,000
1920	,, ...	£6,500
1921	,, £7,500 less W/D value of obsolete machine, £513	£6,987
		3)20,487
	Average for assessment 1922–23	£6,829

See also under Exceptional Depreciation and Obsolescence.

OCCUPIER.

The occupier of lands or tenements is declared to be the person having their use. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 2.) For practical purposes the word may be given its ordinary meaning so far as houses and lands are concerned. An occupier is assessable (1) to tax under Schedule A (property tax), which tax he deducts from his next payment of rent; (2) to tax under Schedule B in the case of lands in respect of his own profits from those lands, which tax he must bear himself; (3) to inhabited house duty in the case of a dwelling-house of £20 or more in annual value, which also will fall to be borne by himself.

See also under Landlord for cases in which he is deemed to be the occupier; see also under Tenant.

OFFICE EXPENSES.

Office expenses are allowable as deductions from assessable profits provided that they are within the strict meaning of that term. Any disbursements on account of new fittings, tables, typewriters, etc. (not being renewals), or in respect of the principal's meals or other personal expenses, must be disallowed.

OFFICIALS.

An official of a society, company or public body is assessable as an employee. See under Employees.

Officials of collegiate or capitular bodies who are members of that

OFFICIALS—(*contd.*)

body and receive remuneration from its taxed income are not themselves liable to assessment in respect thereof. Officials who are not members of the body are liable to taxation in respect of their remuneration, from whatsoever source it is paid. (*Langston* v. *Glasson*, 1891.)

OMISSION TO DEDUCT TAX.

It frequently happens that a person omits to deduct tax at the time when he has the right to do so. There is no remedy provided in the Income Tax Acts, and the Courts have taken various views on the subject. We give below seven typical decisions on applications for the refund of tax omitted to be deducted or for authority to make rectifying deductions in the future. It seems now to be settled law that such rectification is unauthorized.

In 1885 the High Court declined to make an order for a Building Society to refund tax omitted to be deducted from interest paid to the Society. The Court was no doubt influenced by the fact that the right to deduct tax at all from payments of the nature in question was only determined in the same case as that in which the application for refund was argued. (*In re Middlesbrough, Redcar, etc., Building Society ; Ex parte Wythes.*) The Scotch Court, also, refused to order an allowance to be made in respect of tax omitted to be deducted from payments of interest to a Building Society. The Court was not unanimous, but the majority of the judges were of opinion that "it would be unsafe, in dealing with so artificial a system as that set up by the Income Tax Acts, to step beyond what the statute itself enacts." (*Galashiels Provident Building Society* v. *Newlands*, 1893.)

The four succeeding cases have reference to the deduction of tax from annuities. In *Warren* v. *Warren* (1895), the High Court decided that tax might be deducted from an annuity paid under a deed drawn out to carry into effect a previous order of the Court, but that the tax omitted to be deducted before the case was brought could not be deducted from future payments. In *Countess of Shrewsbury* v. *Earl of Shrewsbury* (1906), the High Court refused to order a deduction which should have been made from earlier

OMISSION TO DEDUCT TAX—(*contd.*)

payments of the annuity in question. Where, however, the trustees of an estate paid annuities therefrom without deducting tax, the High Court held that their omission was a breach of trust, and that they must make good to the estate the sums which should have been deducted for all years not covered by the Statutes of Limitation. (*In re Sharp ; Rickett* v. *Rickett*, 1906.) In the case *Hatch* v. *Hatch* (High Court, 1919), it was substantiated that an annuity payable to a wife under a will should suffer the deduction of tax, but it was held that omissions to deduct tax from past payments could not be rectified. The consequent overpayments were not recoverable as a debt from the wife and could not be deducted from future payments.

In 1903 the Scotch Court ordered the lessor of a mineral field to make good to the lessee all sums which the latter might have deducted by way of income tax from royalties paid by him The majority of the judges took the view that the provision allowing the deduction of tax from each payment of royalties was for the protection of the lessee, and that he did not lose thereby what would be his right if such provision did not exist. (*Agnew* v. *Ferguson.*) For many years it appeared that a tenant had a right to deduct tax paid under Schedule A from his *next* payment of rent only. (*Cumming* v. *Bedborough*, 1846.) In 1912, however, the High Court allowed the receiver of a company to deduct from future payments of rent an amount of income tax which he should have deducted from a previous payment. (*In re Sturmey Motors, Ltd.; Rattray* v. *Sturmey Motors, Ltd.*) In *Blount* v. *Blount* (1916) it was admitted that omission to deduct tax from a quarterly payment made under agreement, could not be rectified by extra deduction from a current payment.

In *Hill* v. *Kirshenstein* (Court of Appeal, 1920) it was held that a tenant who did not deduct income tax from his next payment of rent could not afterwards do so. In this case there had been an omission to deduct income tax for the past twenty years.

In the case *Hatch* v. *Hatch* (High Court, 1919) it was substantiated that an annuity payable to a wife under a will should suffer the deduction of tax, but it was held that omissions to deduct tax from past payments could not be rectified. The consequent

OMISSION TO DEDUCT TAX—(*contd.*)

over-payments were not recoverable as a debt from the wife and could not be deducted from future payments. Sargant, J.—" The annuity under the deed was clearly payable subject to, and not free from income tax, but the over-payments to the annuitant in respect of the tax having been made under a mistake of law, are not in the nature of a debt, and cannot be deducted by the trustees from any payments of the annuity subsequently becoming due or from any sum payable or to become payable to her."

OPTIONS.

It has been held that the word *profit* denotes " something acquired which can be turned to pecuniary account." (Lord Watson in *Tennant* v. *Smith*, 1892.) If, therefore, a person is granted an option of any sort for services rendered or in the course of trade, and that option has a monetary value, he is assessable therefor on the amount of such value. The only difficulty is to ascertain that value. If he disposes of it for what he can get, the selling price should form the basis of the assessment. If he does not, or even cannot, dispose of it at once he may yet become liable. Thus, a trader who receives in payment for his goods a doubtful bill of which he cannot dispose at the time, must yet include in his profits any sum for which he realizes it at a later date. However, in the case of an option it is not convenient either to the subject or to the Crown that the matter should be held over indefinitely, and the local commissioners usually exercise their right and set a value on the option after a reasonable period (say three years). The person assessed must then pay the duty charged and is relieved of any possible further liability. He has, of course, full right of appeal in such a case, but the decision of the local general commissioners is final.

It may not be contended that because a person retains shares, etc., acquired under the option there is no liability. If he has an option of purchasing 2,000 shares at £1 and does so, the market price being £3 at the same date, his profit for income tax purposes (as in any other respect) is £4,000 less any expenses necessarily and exclusively incurred in acquiring or exercising the option. A person does not relieve himself of liability by making a gift of the option to another person.

OWNERS.

See under LANDLORDS.

OYSTER BEDS.

The profits arising from an oyster bed are assessable on the profits of the year preceding the year of assessment. They are assessable under the rules of Schedule D relating to trade profits, so far as they are not inconsistent with the rules of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rules* 3 *and* 8.) The main features of the assessment are (*a*) the inapplicability of the average system of assessment, and (*b*) the assessment on the profits to include the amount of any rent paid, the tenant being entitled to deduct tax when paying such rent. There is reckoned to be no "stock on hand" in the way of sperm at the end of the year. The value of the sperm is unascertainable, and is therefore ignored.

PAPER PROFITS.

Profits are assessable whether they are received in money or in shares. In *Californian Copper Syndicate* v. *Harris*, 1904, a judge commented as follows on a plea that value paid in shares could not constitute profit: "It was said that the profit was not realized profit, and, therefore, not taxable. I think the profit was realized. A profit is realized when the seller gets the price he has bargained for. No doubt here the price took the form of fully paid-up shares in another company, but if there can be no realized profit except when that is paid in cash the shares were realizable and could have been turned into cash, if the appellant had been pleased to do so. I cannot think that income tax is due or not according to the manner in which the person making the profit pleases to deal with it. Suppose, for example, a seller makes a profit on a trade transaction, but leaves the price (including the profit) in the hands of the buyer at so much per cent. interest. That he so deals with it, rather than take the cash into his own pocket, would not affect the claim of the revenue for the tax payable on the profit. No more, in my opinion, does it affect the liability for the tax that the appellants left their profit in the hands of the company they sold to, and took the company's shares as their voucher."

See under PROMOTION PROFITS for a practical illustration.

PARLIAMENTARY BILL, PROMOTION OF.

In *Moore & Co.* v. *Hare* (*Court of Session*, 1914), the facts were as follows : In consequence of the unsatisfactory nature of existing railway facilities, a firm of coal masters (in conjunction with two other traders) promoted two Bills in Parliament for the construction of a railway line. The Bills were dropped in consideration of the existing railway company agreeing to provide facilities hitherto refused. It was held, by a majority of two to one, that the outlay incurred by the coal masters in this connection was a capital one, and that no allowance could be made in computing their liability under Schedule D.

Majority. Lord President : " I have no doubt for my part that it is capital expenditure, because the money was used to buy for the traders, including the appellants, a better and cheaper access to their customers ; and it was, therefore, in my opinion, just as much capital expenditure as if it had been spent in constructing a fresh line of railway for the purpose of reaching their customers and disposing more conveniently and more cheaply to themselves of their coal." Lord Skerrington : " One can figure a case where a firm of coalmasters in the position of the appellants might incur Parliamentary or other preliminary expenses with a view to constructing a railway which was to be the private property of the firm which, when constructed, would be useful and would, in fact, be used wholly and exclusively for the purpose of their trade as coalmasters. Such expenditure would be of the same legal character as the actual cost of building the railway. It would be capital employed in the firm's trade as coalmasters and, therefore, would not be a legitimate deduction from profits."

Minority. Lord Johnston : " It appears to me that the expense to which they were put was money spent for the purposes of their trade, just as much as that spent during previous years in appeals to the Railway Commissioners and in other ways to the same end. And I cannot regard the fact that if they had proceeded with their Bill they would have obtained an Act which would have involved proper capital expenditure, in which the costs of promotion would have most probably been included according to an almost immovable practice, as in any way affecting the present question."

PARTNERS.

See under FIRM'S ASSESSMENT and FIRM'S RETURN; also see Chapter VII for specimen returns of partners. As regards a change in partnership where the business is left substantially the same, see under CHANGE IN PROPRIETORSHIP. No adjustment may be claimed in any assessment on a firm by reason of the withdrawal of a partner, except in the circumstances stated under SPECIFIC CAUSE.

If a new partner is admitted into a business the liability of the firm should continue to be based on its three years' profits, except when the new partner brings with him a new connection, so that his entrance into the firm may be regarded as the combination of two businesses or the absorption of one business by another. In these circumstances the firm's assessment should be based on the sum of the average profit of the two concerns. Thus, if two businesses (of A and B) are united as from 1922, the assessments on the firm will be as follows—

$$\text{1922 assessment—} \quad \frac{\text{A's profit, 1919, 1920, and 1921, plus B's profit, 1919, 1920, and 1921}}{3}$$

$$\text{1923 assessment—} \quad \frac{\text{A's profit, 1920 and 1921, plus B's profit, 1920 and 1921, plus the firm's profit, 1922}}{3}$$

Where none of the partners of a firm which trades in the United Kingdom is resident in this country, the return is required to be made by the agent, manager or factor resident here. If the firm cannot be got at, duty may be assessed on its agent if he is in receipt of profits belonging to his principals. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 10 (3).) See under FOREIGN PARTNERS.

See under SHIPPING for a case of partnership in a ship. (*Farrell* v. *Sunderland Steamship Co., Ltd.*, 1903.)

PATENTS.

Money received in respect of the sale of a patent is assessable: (*a*) if the sale forms part of a trade, or (*b*) if the purchase price is received by way of annual payments. Where an individual sells several patents he may be regarded as carrying on a trade thereby,

PATENTS—(*contd.*)

and any profits realized are assessable however they occur. Where the rights of a single patent are sold, the transaction being an isolated one, there is probably no liability to income tax unless the work necessitated by the invention of the patent may give ground for an opposite opinion. If the rights are sold in consideration of yearly royalties being paid, those royalties undoubtedly form annual profits within the third or sixth Cases of Schedule D.

A person who pays a royalty on a patent may make no deduction in his accounts in respect thereof. He is authorized, however, to deduct tax from every payment. If the royalties are paid out of profits charged to income tax, the deduction should be made at the rate or proportion of several rates in force while the payment was accruing. Tax deducted from royalties not paid out of profits charged should be at the rate in force at the date of payment. (*I.T.A.*, 1918, *All Schedules, Rule* 21 (1).)

It has been held that the prohibition of the deduction of patent royalties from the profits of the person paying them, does not extend to a case where he is not able to recoup himself by paying the royalties less tax. (*Lanston Monotype Corporation, Ltd.* v. *Anderson*, 1911.) In this particular case the royalties were paid before the law requiring the deduction came into force. Farwell, L. J.—"The words . . . are necessarily confined to the royalty or sum . . . . on making payment of which the person paying is entitled to deduct."

In *Boyd & Sons* v. *Havelock* (1918) the appellants were in a particular year assessable on the average profits of their business in the three preceding years. In each of the three preceding years a fixed royalty of £400 had been paid by the appellants in respect of the user of a patent, but in the year of assessment this royalty had ceased to be payable. The appellants contended that as the royalty was not payable in the year of assessment the assessment for that year should be based on the average profits of the preceding year after deducting therefrom the said royalty. The Court decided against the appellants. The Lord President—"This case, I conjecture, would never have been brought had it not been for, as I think, a clear misreading and misunderstanding of the case of the *Lanston Monotype Corporation, Ltd.*, v. *Anderson*. . . . . .

PATENTS—(*contd.*)

The short and the long of that decision is that the Court of Appeal held, contrary to the opinion of Mr. Justice Hamilton, that the 25th Section of the 1907 Act was not retrospective and had no application whatever to the years prior to the date when the Statute came into force, and although at first sight, no doubt, and if one were to confine one's attention exclusively to the headnote of the Case, it would seem to be an authority in favour of the appellants, when closely examined it will appear that it has no relation to the question which we are now called upon to decide." Lord Mackenzie —" The balance of profits or gains upon which duty is chargeable is to be ascertained upon a fair and just average of three years ending on such day of the year immediately preceding the year of the assessment on which the accounts of the business are usually made up. In this Case that was the 31st December, and the three years with which we are concerned are the three years immediately prior to 31st December, 1916. Those are all years well after the Finance Act of 1907 had come into operation, and accordingly, in dealing with those three years the imperative direction of Section 25 was followed, that no deduction is to be made on account of any royalty paid in respect of the user of any patent."

See also *Jones* v. *Inland Revenue*, under PROFITS, page 395.

PAVING CHARGES.

The law on this subject may be explained by reference to a question asked in Parliament in June, 1913, and the answer thereto. A member asked if the Chancellor of the Exchequer could see his way to allow persons who possess property abutting on streets which have recently been made up under the Private Street Works Act to deduct the sum expended on such making-up from their return of total income for income tax purposes; and whether in cases where there are long flank frontages the amount payable in respect of making-up charges often amounted to more than a year's rental value of the property so charged.

The reply given was as follows: " The sums paid by owners for paving charges in cases where there are long flank frontages are frequently heavy in relation to the annual value of the property. Such charges, however, are in the nature of capital expenditure in

PAVING CHARGES—(*contd.*)

respect of permanent improvements normally tending to advance annual value, and are not a proper deduction to be made in arriving at a person's income for the purposes of income tax."

PAYING GUESTS.

See under APARTMENTS and LODGERS.

Profits arising from paying guests are not very easily estimated and no fixed rules can be given. If a whole house is retained for the purpose of receiving them, the proprietor might subtract all payments from all receipts and add to the result (*a*) a proportion of the rent and rates (not less than one-third unless the facts are such that a lesser addition is made as explained under BUSINESS PREMISES), and a fair proportion of the cost of lighting, heating, cleaning, washing, service, etc., in respect of the lodging, etc., of himself (or herself) and family ; (*b*) the estimated cost of the food, etc., of the proprietor and family ; (*c*) any other non-allowable expenses indicated in Chapter II. Where the paying guests constitute a small portion of the household the calculation may best be restricted to (*a*) their payments less (*b*) the estimated cost of their board, service, share of rent, etc. No deduction may be made in respect of the services of the proprietor or his wife.

PAYMENT OF INCOME TAX.

Income tax is due on the first day of January within the year of assessment, or half on that day and half on the first day of the succeeding July (see under INSTALMENT SYSTEM). Assessments may be made within three years after that 5th April, however, and duty may therefore be applied for more than three years after the profits were earned, if for any reason an adequate assessment was not made at the time. Any duty charged by a late (or additional) assessment is due on the day after its collection is authorized by the signature of the local commissioners.

See also under COLLECTION ; DISTRAINT ; RECEIPT.

PENALTIES.

The following penalties are imposed for offences against the Income Tax Acts—

PENALTIES—(*contd.*)

On any person who gives or offers any sum of money to any person employed in relation to Inland Revenue, or proposes or enters into any agreement with such person to do, abstain from doing, conceal or connive at any act whereby the Crown may be defrauded, a penalty of £500 is imposed for each offence. It is provided that the offender who, before information is lodged against him, first informs against any other offender shall be acquitted of such fine. (*I.R.R.A.*, 1890, *s.* 10.)

On any person who ought to deliver a true and proper return and does not do so, a penalty not exceeding £20 and treble the duty ordinarily chargeable may be imposed by the local general commissioners, or a fine of £50 by a court of law. These penalties apply also to cases of failure to make the required return of employees. In case of failure to make a return of profits on the part of a person who proves that he is not chargeable, the penalty imposed may not exceed £5 for one offence. (*I.T.A.*, 1918, *s.* 107.) A person may voluntarily rectify any return which was inadvertently incorrect. (*I.T.A.*, 1918, *s.* 140 ; *dicta* in *Attorney-General* v. *Till*, 1909.)

On any person who makes a false return under Schedule A as to the value of any premises, or refuses or neglects to produce any lease or agreement, with intent to conceal such value, treble duty may be charged and a penalty of £20 may be imposed. (*I.T.A.*, 1918, *s.* 107 (1) (*a*).)

On any person entrusted with the payment of foreign annuities, dividends, etc., and not delivering an account thereof, a penalty of £100 may be levied. (*I.T.A.*, 1918, *Schedule C, Rules other than B. of E.*, 6.)

On any person making a false claim to allowance or relief, or a double claim, a fine of £20 is imposed and treble duty on his whole income. (*I.T.A.*, 1918, *s.* 30.) Any person making a false claim to exemption of stock is liable to a penalty of £100 and to pay treble duty on the stock in question. (*I.T.A.*, 1918, *s.* 40.) The penalty for a false claim to an allowance for loss by floods is £50, and treble duty on the lands. (*I.T.A.*, 1918, *Schedule A, No. V, Rule* 10.) Any person who makes a fraudulent claim under the Finance (1909–10) Act, 1910 (in effect, under any of the Income Tax Acts), is liable on summary conviction to be imprisoned for a

PENALTIES—(*contd.*)

term not exceeding six months with hard labour. This penalty is frequently regarded as extending to all cases of fraudulent claim. (*I.T.A.*, 1918, *s.* 227.)

On any person making a fraudulent appeal at the end of the year in respect of a loss incurred by him, the penalty imposed is £50. (*I.T.A.*, 1918, *s.* 34 (3).) Any person failing, when summoned, to appear as a witness on any appeal is liable to a penalty of £20. (*I.T.A.*, 1918, *s.* 144.) A penalty not exceeding £20 and treble duty is imposed on any person who neglects to deliver the schedule required by the commissioners on appeal. (*I.T.A.*, 1918, *s.* 139.)

Other penalties imposed are for obstructing an officer, £100; for defacing any church door notice, £50; for abetting a false claim, £50; for refusing to allow the deduction of tax from rent, interest, or other annual payment £50, or, in some cases, treble the principal sum.

Under the *Perjury Act*, 1911, *s.* 5, the making of any statement which is false in a material particular, in any statutory declaration, account, estimate, notice, return or other document or oral declaration or answer authorized or required to be made under any public general Act of Parliament, is made a misdemeanour and is punishable by imprisonment, with or without hard labour, for any term not exceeding two years. This is in addition to the fines referred to above.

Proceedings for the recovery of any fine or penalty may be commenced within three years after it is incurred. (*I.T.A.*, 1918, *ss.* 125, 126, 129, 146, 221.) All penalties not exceeding £20, and such penalties exceeding £20 as are directed to be added to assessments, are recoverable before the local General Commissioners where the offence was committed. (*I.T.A.*, 1918, *ss.* 221 *and* 222.) Other penalties are recoverable in the High Court. (*I.T.A.*, 1918, *ss.* 169 *and* 176.)

PENSIONS.

A pension given in respect of past services is assessable to income tax. Civil List Pensions are expressly included in the provision (*F.A.*, 1920, *s.* 33.) The "earned income relief" will be allowed in the ordinary way. (See Chapter V.) A pension given to a

PENSIONS—(*contd.*)

woman in respect of the past services of her husband, or to any person in respect of the past services of his or her parent are also within the term "earned income." The fact that a person has contributed to a pension is not material. (*I.T.A.*, 1918, *s.* 14.)

For disablement pensions see under WAR PENSIONS.

See also under SUPERANNUATION.

PERQUISITES.

The perquisites of any employment are assessable to income tax, providing that they are paid in money or are capable of being turned into money. (*Tennant* v. *Smith*, 1892.) The perquisites of an employment assessed under Schedule E are distinguishable from the salary or stipend of such employment in that they may be assessed on the amount received in the preceding year, or on the average receipts of the past three years. (The salary is assessable on the amount payable during the year of assessment, except as stated under EMPLOYEES.)

Perquisites are defined as "such profits of offices or employments as arise from fees or other emoluments and are payable either by the Crown or the subject." (*I.T.A.*, 1918, *Schedule E*, *Rule* 4.) It would seem that the framers of the rule had in mind certain employments under the Crown in respect of which fluctuating fees, etc., were receivable (*e.g.* a legal appointment to which various fees were attached). As the rules of Schedule E are held to apply to the officials of a trading company, it is convenient to regard the definition as covering similar payments receivable in such cases. In this way sanction is given for the assessment of bonuses, etc., on the amount payable for the previous year or on the average amounts payable for the three years preceding. (See also under BONUSES and EASTER OFFERINGS as to their liability to assessment.)

PERSONAL ALLOWANCE.

See Chapter V.

PERSONAL EXPENSES.

No deduction may be made in the accounts of a person assessed to income tax in respect of any sum expended for any domestic or

PERSONAL EXPENSES—(*contd.*)

private purpose, or of any sum not wholly or exclusively laid out or expended for the purposes of the trade or profession assessed. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 3.) This prohibition extends to the rent of a dwelling-house or apartment, the cost of food and clothes, the expenses of travelling to a place of business (but see under QUARTERLY ASSESSMENTS), and also to income tax paid. (See under BUSINESS PREMISES; CLOTHES; MEALS; TRAVELLING and FAMILY EXPENSES. Also see Chapter II for particulars of adjustments necessary in a trader's accounts so that the rule referred to may be observed.)

PIT-SINKING.

See under MINES.

PLACE OF ASSESSMENT.

See under ASSESSMENT.

PLANT.

See under MACHINERY.

PLANTATIONS.

The principles on which rubber and other plantations should be assessed are of increasing importance. The chief points of interest are the treatment of the losses which occur in early years and the position, with regard to income tax, of a company which sells for cash or shares a part or the whole of its estate.

The question of the losses of early years has been considered in the Scotch Court in the case of the *Vallambrosa Rubber Co., Ltd.* v. *Farmer*, 1910. The Crown contended that the full expenses of the early years during which the greater part of a new plantation is unproductive may not be considered as expenditure incurred in trading. The argument advanced by the Crown lawyers was summarized by the Lord President (who rejected it) as follows: "They said this: The rubber tree, it is admitted, is not commercially valuable until it is six or seven years old. They said: We find from your own admission that at present, in this year, only a seventh of your rubber trees are in full bearing, and therefore, they

PLANTATIONS—(*contd.*)

say, we shall hold that only one-seventh of these expenses can be expenses of the ordinary business and as such deductible, and that the other six-sevenths are not deductible." The Lord President decided against this view, commenting, " When you come to think of the expense in this particular case that is incurred, for instance, in the weeding which is necessary in order that a particular tree should bear rubber, how can it be possibly said that it is not a necessary expense for the rearing of the tree from which alone the profit eventually comes ? . . . When the year comes when the tree produces, the only deduction will be the amount which has been spent on the tree in that year ; they will not be allowed to deduct what has been deducted before." The only point remained, therefore, to distinguish between capital expenditure, which by its nature is prohibited from being charged against profits, and *bonâ fide* trading expenses which may be so charged. The company first claimed a deduction in respect of (*a*) cleaning, draining, and making roads and drains, as well as in respect of (*b*) the general expenditure incurred in weeding, superintending and managing the plantation. The Court distinguished between (*a*) and (*b*), the Lord President remarking : " In a rough way I think it is not a bad criterion of what is capital expenditure as against what is income expenditure to say that capital expenditure is a thing that is going to be spent once and for all, and income expenditure is a thing that is going to recur every year." Lord Johnston adopted this principle, and applied it to the facts as follows : " It appears to me that the trade, manufacture, adventure or concern of the company, is the cultivation and production for sale at profit of rubber and other tropical products. For this purpose land had to be acquired, cleared and drained, roads made and buildings erected, before the cultivation began. What was expended for these purposes was, I think, capital expenditure, and not, in the sense of the Income Tax Act, money laid out and expended for the purpose of the trade, etc. But once the cultivation began with the planting, expenditure on cultivation, production and marketing, was, I think, revenue expenditure for the purposes of the trade, etc."

The following items of expenditure were allowed as deductions from profits : superintendence, stores, medical, nurseries, and seeds,

PLANTATIONS—(*contd.*)

lining and cutting pegs, weeding, cattle-keepers, pests, weeding watchmen, cutting out rubber, tapping, and home management expenses. It should be noted that these deductions were allowed on the express ground that the charges in question were of a recurring nature.

The following items of expense are regarded as pertaining to capital and no deduction is allowed therefor: clearing, draining, and making roads and drains. To these must be added the well-defined capital outlay of the company, *e.g.*, cost and freight of machinery, purchase of land, cost of buildings, railways, hospitals, etc.

Having correctly estimated profits and losses, as shown in the following example, the income tax liability will be as stated.

EXAMPLE. A plantation company incurred losses of £7,000 in 1915, £8,000 in 1916, £7,000 in 1917, £6,000 in 1918, £3,000 in 1919; its profits are £4,000 in 1920, £13,000 in 1921, £30,000 in 1922.

Average profit or loss (for income tax purposes)—

1915 ..	Loss £7,000	
1916 ..	,, 8,000	
1917 ..	,, 7,500	(average of £7,000 and £8,000)
1918 ..	,, 7,333	(,, £7,000, £8,000, and £7,000)
1919 ..	,, 7,000	(,, £8,000, £7,000, and £6,000)
1920 ..	,, 5,333	(,, £7,000, £6,000, and £3,000)
1921 ..	,, 1,666	(,, £6,000, £3,000 losses, and £4,000 profit)
1922 ..	Profit 4,666	(,, £3,000 loss, £4,000 and £13,000 profit)
	etc.	etc.

The system of averaging profits or losses is dealt with in Chapters III and IV. It should be noted, however, that no losses incurred earlier than 1919 may enter into the calculation of the 1922 assessment—*vide* the Lord President's judgment quoted above. It is explained under DEPRECIATION, that if the company has proved its title to a deduction in respect of the wear and tear of its machinery as from 1915, that deduction would accumulate while there were no assessments, and would be allowed in 1922 and subsequent years until all arrears had been allowed for. In many cases the tropical climate renders the life of the machinery very short, and a larger rate of depreciation than usual (sometimes as much as 10 per cent.) may with justice be claimed.

A company which sells its plantation or a part thereof to a

PLANTATIONS—(*contd.*)

second company, is liable to be assessed on the value received, *if it appears that the sale was in the course of its trading*. The objects for which the company (*i.e.* the first company) was formed, as revealed in its articles of association, are regarded as important matters for consideration in determining this question. But it must be remembered that most companies retain for themselves very extended rights in such documents. A rubber company's articles may well express its intention to make any sales of land which may appear advisable, without the company intending to trade in land. A more convincing circumstance would be the company's actually having sold estates more than once, or its not having done so. The note which appears under SYNDICATES may be of use in this connection.

Temporary buildings of that very light character which are erected on a tropical plantation have some claim to be regarded as utensils, implements, etc., in respect of the renewal of which a deduction may be allowed. This claim should in any case be restricted to light structures which cost practically nothing to erect, the only expense of any moment being the cost of materials, etc.

POOR RATE.

See under RATES.

PRELIMINARY EXPENSES.

Disbursements shown in a company's accounts as preliminary expenses are invariably of such a nature that they may not, for income tax purposes, be set against the subsequent profits of trade. Even when they are written off out of profits they remain an expense on account of capital, and no deduction may be made for assessment purposes. Commissions paid to brokers, etc., in respect of the issue of debentures were held to be inadmissible deductions (*Texas Land and Mortgage Co.* v. *Holtham*, 1894) and the cost of obtaining the original capital of a company or of otherwise setting it going present still stronger reasons for inadmissibility. Included in the term under notice are registration expenses, the cost of issuing a prospectus, of preparing a memorandum of association, of securing premises, etc., etc.

PREMISES.

See under ANNUAL VALUE; BUSINESS PREMISES; LANDLORD; REPAIRS; TENANT.

PREMIUM FOR LEASE.

A trader may make no charge against his trade profits in respect of a premium paid for the lease of business premises, neither may he make any deductions from his profits in consideration of the gradual exhaustion of the lease. "Diminishing capital or exhausted capital cannot be brought into your profits and gains when making out your accounts." (A. L. Smith, J., in *Gillatt and Watts* v. *Colquhoun*, 1884, rejecting a claim to the deduction referred to.) Further, he may not make a deduction for ground rent or other rent, as he recoups himself for tax on such items by deducting a corresponding amount from all payments thereof. (See under GROUND RENT.) The charge which a trader should make in respect of business premises leased to him is the amount of the assessment thereon under Schedule A (property tax). The proper method is to deduct from the profits the amount of the gross assessment, and to make no charge in respect of repairs. (The cost of repairs falls on the trader in the capacity of leaseholder and not of trader.) The local commissioners will usually allow a trader to deduct the amount of the nett Schedule A assessment, and also the actual cost of repairs, provided that this system is kept to each year.

See under LICENSED PREMISES as regards a brewery company and its tied houses.

PREMIUMS.

See under FIRE INSURANCE; LIFE ASSURANCE; PREMIUM FOR LEASE.

PRINTERS.

A printer's type is included within the term "implements, utensils, or articles employed for the purposes of trade" in respect of the "supply, repairs or alteration" of which a trader may make a deduction from his profits. The cost of new type may be charged, and if this is done there is, of course, no need to make a deduction in respect of type expended or discarded.

PRINTERS—(*contd.*)

The following allowances for depreciation are normally made in respect of printing works—

Engines, boilers and shafting	5 per cent.
Printing and binding machines	7½ ,,
Type (if not dealt with by way of allowance for actual cost of renewal)	10 ,,

PRIVATE SECRETARY.

The salary of a private secretary may be charged against assessable profits only so far as that secretary is used in the course of the profession or business in question, and then only if he is necessarily so used. The expense is admissible for income tax purposes in such cases as those of an author's typist, etc., or a professional or business man's *personal* clerk (necessarily engaged in the affairs of the profession or business). Where a director or other official of a company, or an employee in any other concern, engages a private secretary at his own expense, and not at the stipulation of his company or employer, the salary of such a secretary is not regarded as an expense necessarily incurred in the performance of duties. It rather comes under the prohibition (indicated under SUBSTITUTE) placed on the deduction of the expense incurred in securing a substitute or assistant for the performance (in part or whole) of the duties in respect of which the remuneration assessed is payable. No deduction may be made in respect of the expense of a private secretary to a member of Parliament, or to an owner of property assessed under Schedule A.

See also under SECRETARIES.

PROFESSIONS.

The profits of a profession are assessable under Case II of Schedule D on the following averages (*I.T.A.*, 1918, *Schedule D, Case II*) : (*a*) in the financial year in which it is set up, on a fair basis approved by the Commissioners ; (*b*) in the first complete financial year, on the first year's profits of the profession ; (*c*) in the second year, again on the first year's profits ; (*d*) in the third year, on the average profits of the first and second years ; (*e*) in the fourth and subsequent years, on the average profits of the three preceding years. The average system and the exceptions thereto are dealt with in Chapters III and IV.

PROFESSIONS—(*contd.*)

See also under DEDUCTIONS; FIRM'S ASSESSMENT; FIRM'S RETURNS and PARTNERS for the subjects indicated; also the rules for income tax adjustments contained in Chapter II. It should be remembered that the profits assessable are the profits *earned* (irrespective of the date of payment) less a deduction for ascertained bad debts. The adjustments of specimen accounts based on cash transactions only are given in Chapter II.

PROFITS.

Income tax is a charge on profit, that is to say, a charge on what is deemed to be profit by the taxing Acts as they have been interpreted by the Courts. The legal idea of profit is as near to the current commercial idea as it can be brought, but two circumstances have caused a clear distinction to grow up between them: first, the necessity of distinguishing profit from a mere increase of capital, so that the charge may be confined to the former; secondly, the necessity of creating a standard by which profit should be measured, so that the equity of the charge may be unaffected by the various systems of book-keeping adopted by various traders. The standard last referred to is enforced by a series of rules stating what deductions may and may not be made from a trader's receipts. These rules will be found under DEDUCTIONS, but the matter first mentioned falls to be dealt with here. The question for consideration is: "What is profit, within the meaning of the Income Tax Acts?"

Unfortunately no strict definition has been or can be given. In the first instance the Acts assume that there can be no difficulty as to the meaning of this word. The charging section of Schedule D (*I.T.A.*, 1918) extends to "the annual profits or gains" arising (*a*) to a resident of this country, from property and profits situated or arising here or abroad, and (*b*) to a non-resident, from property and profits situated or arising in this country. Schedule D is then divided into six classifications of income according to source, termed "cases." Case I includes the profits of any trade, manufacture, adventure or concern in the nature of trade not contained in any other Schedule. Case II refers to the profits of professions, employments or vocations not contained in any other Schedule. Case III covers profits of an uncertain value not charged in Schedule

PROFITS—(*contd.*)

A, and also interest. (Interest is a separate subject of charge, and is assessable irrespective of any question of profit or loss—see under INTEREST. No further reference will be made to interest in the present notice.) Cases IV and V extend to foreign profits accruing to residents here, and not chargeable under Schedule C. Case VI provides for the assessment of any annual profits or gains not falling under Cases I to V, or under any other Schedule. The constant reference to other Schedules will have been remarked. These Schedules (A, B, C, and E) have each their subjects of charge, but Schedule D is so framed as to include any profit which does not fall within them. The subjects charged under Schedules A, B, C, and E are clearly defined.

Schedules A and B refer to the income arising from the ownership and occupation (farming, etc.) of lands and tenements, etc., within this country. Schedule C includes annuities, dividends, etc., arising out of any public revenue. Schedule E includes the remuneration of officials of public bodies, societies, companies, etc. These rules are clear and sharply defined, but difficulties must arise *somewhere* as regards increments on the border line of profit. The Acts throw such matters into Schedule D, which catches what all the other Schedules miss, and whose rules go nearer than any others to fixing with some degree of exactitude the meaning of the word "profit."

Cases II, IV and V of Schedule D refer to clearly marked subjects of charge, and little difficulty, if any, can arise as to what profits fall within their scope. Cases I, III and VI leave room for questioning. Case I includes the profits of *trade*, and one is often forced to ask what it is to carry on a trade. In ninety-nine cases there is no doubt, but in the next a difficult question may arise. A sells a house for more than he gave for it; is he trading in houses? No! B buys and sells fifty houses a year; is he trading in houses? Yes! Then where between these cases must the line be drawn, and what circumstances or how many sales constitute trading? This is a question which must be considered with great care. Again, Case III extends to profits of an *uncertain annual value*, and Case VI to *annual* profits or gains not charged under other Schedules or under other Cases of Schedule D. These definitions also are in terms sufficiently general to allow of many difficulties arising. But

PROFITS—(*contd.*)

as regards increments on the border line of profit (and which it is clear are not within Schedules A, B, C, or E, or Cases II, IV, or V of Schedule D) one can consider the applicability of any of three terms. Can the increment be described (1) as the proceeds of *trading*, (2) as an *annual* profit not otherwise charged, or (3) as profit of an uncertain *annual* value? The important words are italicized. As regards (1) it is necessary to ask "What is trading?" As regards (2) and (3) the meaning of the word "annual" may be indicated and a few general observations made.

The question as to what constitutes trading is a large one, and a detailed consideration will be found under TRADING. A shorter analysis under the present heading will serve, however, as a summary of the principles and rules there adduced, and also to bring the matter of trading into its due connection with the larger question, "What is assessable profit?" First, it is clearly laid down that trading requires two distinct parties. If the buyer and the seller are identical, there can be no trading. Thus, if six people become joint owners of certain goods which they divide amongst themselves, the act of dividing the goods does not constitute trading. If the six *as a body* sell the goods to the six as *individuals*, the *body* of six have still not traded with the six individuals, the buyers and sellers being identical. This fact is not affected if the body sells the goods for more than it gave for them: the surplus is not a profit of trade. Secondly, there must usually be some persistence in transactions if they are to be regarded as constituting a trade. There is no hard and fast rule as to how many transactions form a trade. This must depend on the nature of the case, and will be determined by a common-sense view. Thirdly, the intentions of the person concerned may throw some light on the enquiry as to whether he is trading. If a man buys with a view to selling at a profit, the assumption is that he is trading. Similarly, and even more particularly, the object with which a company was formed may indicate whether the surplus on any sale is an increase of capital or a trading profit.

But Cases III and VI remain even if Case I is not applicable. Here the word "profit" is not qualified save by the description "annual." There is obviously a difficulty, for the meaning of

PROFITS—(*contd.*)

"annual profit" is not more easily found than the meaning of "profit." There is no definite decision which determines what Cases III and VI include, save a reference to a vague enactment that Case VI includes what the other Cases fail to hold. It will be recognized that the framers of the Act had no general rules in their minds by which Cases III and VI might be limited. Their sole object was to include anything which might prove to have been missed elsewhere. We are forced to assume therefore, (1) that there may be assessable profits other than those of a trade (or of the clearly defined sources indicated in other Cases and Schedules)—otherwise Cases III and VI could not possibly have any meaning; and (2) that any transaction (even though it does not constitute a trade or part of a trade) which gives rise to an income capable of being measured by the year or longer, is the source of assessable "annual profits." A particular example may make this clear. If a man takes out a patent and sells the rights of its use, the sale, in all probability, would not be regarded as the exercise of a trade. Yet the legislature has made a special provision for the collection of tax payable in respect of royalties or other sums "in respect of the user of a patent." Such royalties may not always be the profits of trading, but they may yet be assessable as annual profits within the meaning of Case VI. "Annual" simply indicates something which is payable or calculated with respect to a year or longer (over whatever period it is actually paid—for an example see under ANNUAL INTEREST.)

In *Jones* v. *The Commissioners of Inland Revenue* (1919) the Appellant was joint inventor of certain apparatus which was manufactured and sold under licence from himself and his co-inventor to a company of which they were the sole directors and shareholders. The joint-inventors in conjunction with the company sold the inventions and the goodwill of the company to a second company for certain capital considerations and also for a further royalty of 10 per cent. upon the invoice price of the apparatus constructed and sold during a period of ten years. The Appellant contended that the further royalty was a capital matter and not assessable to Super-Tax. The Court decided against the Appellant. Rowlatt, J.—"I do not think there is any law of nature, or any invariable

PROFITS—(*contd.*)

principle, that because you can say a certain payment is a consideration for the transfer of property, therefore it must be looked upon as the price in the character of principal. It seems to me that you must look at every case and see what the sum is. . . . . A man may sell his property nakedly for a share of the profits of a business, and if he does that, I think that the share of the profits of the business would be undoubtedly the price paid for his property, but still that would be the share of the profits of the business and would bear the character of income in his hands, because that is the nature of it."

A further subject of charge under Case VI is the royalty which arises annually on the sale of a book whose copyright has been purchased by publishers. If the consideration for the transfer of the copyright is a lump sum payment, and if this is an isolated transaction as far as the author is concerned, it is probable that (1) there is no trading and (2) there is no annual profit. If the consideration is a yearly royalty (even though it is an isolated transaction on the part of the author) such royalty (1) may not be the profit of a trade, but yet (2) is an annual profit assessable under Case VI. This subject must be left here. Case III is an alternative to Case VI with no fundamental distinction therefrom. It applies only where the profits are "uncertain," which seems to imply "uncertain of having any value in any particular year, but yet of value over a course of years." It may be repeated that by their very nature neither Case III nor Case VI may be exactly delimited. They are outposts set to catch income which otherwise escapes.

The cases of Schedule D have different rules of assessment. They will be found under SCHEDULE D.

Profits need not be paid in cash to be assessable. Judicial observations cited under RENT-FREE RESIDENCE (in *Tennant* v. *Smith*, 1892) indicate that they must have money value. Illustrations of this will be found under BOARD AND LODGING and under OPTIONS.

Reference may be made to a case in which an uncompleted transaction came under review. In *Furtado* v. *Cardonald Feuing Co., Ltd.* (1906), a land development company purchased land and built houses on it. Over the property occupied it created

PROFITS—(*contd.*)

feu duties, which were sold. The land and houses continued to be the property of the company. It was held that liability to income tax in respect of the sale of the feu duties could not be determined without taking into account some part of the cost of the houses over which, as well as over the land, the feu duties were created. It seemed that such liability could not be determined until the property was sold.

See also under COMMISSIONS ; CONSERVANCY BOARD ; BANKERS ; TRADING.

PROMOTION PROFITS.

The promotion of a company necessitates certain operations which constitute trading. The profits arising to the promoter are, therefore, assessable. (See under PROFITS for the consideration of what profits are subject to taxation.) Against the gross receipts should be set all expenses which the promoter has undertaken to bear and has borne in connection therewith (*e.g.* cost of prospectus, registration fee, etc.). If payment is made in shares the monetary value of those shares should be ascertained. Shares received in this connection may be valued as shown under OPTIONS in a similar case.

See under TRADING with respect to the profits earned by a company in selling its assets to a second company promoted by itself.

PROPERTY.

Property is assessed under Schedule A in respect of the income accruing therefrom to the owner, and under Schedule B in respect of the profits accruing therefrom to the occupier. Both assessments are made on the occupier, but in the cases referred to under LANDLORD the owner is regarded as being the occupier for purposes of assessment. Duty is not charged under Schedule B in respect of a dwelling-house (with its offices and an acre of garden) unless the house is rented and occupied under the same demise with a farm of lands for the purpose of farming such lands ; nor in respect of warehouses or other buildings occupied for the purpose of carrying on a trade or profession. That is to say, Schedule B is confined to land and farmhouses, and buildings rented and occupied with

PROPERTY—(*contd.*)

a farm for farm purposes. (See under FARMHOUSES.) When duty is charged under Schedule B the occupier is required to bear it, but he may deduct duty charged under Schedule A from his next payment of rent. (See under RENT.) See under ANNUAL VALUE and RACK-RENT for the basis of assessment; also under LONDON as regards assessments in the Metropolis.

The deductions allowed under Schedule A are as follows:—

(*a*) For repairs, usually one-sixth of the assessment except for lands (see under REPAIRS for this and for an additional allowance for maintenance, etc.);

(*b*) The amount of land tax paid;

(*c*) The amount of a public rate in respect of drainage, fencing, or embanking;

(*d*) The amount expended by the landlord in making or repairing sea-walls, etc., on an average of the expenditure over the past twenty-one years (see under EMBANKMENTS);

(*e*) Certain ecclesiastical charges described under CLERGYMEN.

See also under GARDENS; LANDLORD; REPAIRS; SCHEDULE A; SCHEDULE B; TITHE.

PROSPECTING, COST OF.

See under EXPLORATION. It may be added that a mining company may not charge prospecting expenses against its profits, these being capital outlays.

PROTECTION (TRADE) ASSOCIATION.

See under TRADE ASSOCIATION.

PUBLIC BODIES.

A public body is liable to income tax on profit and interest received. (See under CORPORATIONS.) The employees of a public body are assessable under Schedule E. (See under EMPLOYEES. See also under CHARITIES.)

PUBLIC SCHOOL.

Public buildings, offices and premises belonging to any public school are exempted from duty under Schedule A, provided that they are not occupied by any master or officer whose income amounts

PUBLIC SCHOOL—(*contd.*)

to £150 per annum, or by any person paying rent therefor. A public school is one which is maintained for a public object, and need not necessarily be a school in which no fees are charged. The exemption has been allowed to the City of London School which was founded to give a liberal education to boys on payment of substantial fees. The balance of the expenditure is met by the Corporation and no profit is sought. Lord Esher remarked : " It is maintained partly by a donation which was in its origin charitable and voluntary. The object of the school is the education of a sufficient large number of persons to enable us to say that that object is a public object." (*Blake* v. *Mayor of London*, 1886.) The exemption was not allowed to the Free Church College, Edinburgh, which was used for the training mainly of candidates for the ministry, but also of other students in certain subjects. In this case the main object of the institution was not a public one. (*Bain* v. *Free Church of Scotland*, 1897.)

The exemption from house duty which is allowed to " charity schools " rests on a different basis. A school which was originally founded as a hospital for old men, but which is now a school in which all but fifty scholars pay large fees, was held to be outside this exemption. (*Charterhouse School* v. *Lamarque*, 1880.) A school supported partly by endowment, but substantially by pupils' fees, ranging upwards from £90 per annum, was also refused exemption. (*Southwell* v. *Governors of Holloway College*, 1895.)

In *Ackworth School* v. *Betts* (1915), it was held that the school was not within the Schedule A or House Duty exemptions. Considerable fees were paid. It was intended to be, and actually was, a school as far as possible restricted to use by members of the Society of Friends.

In *Trustees of the Cardinal Vaughan Memorial School* v. *Ryall* (High Court, 1920) it was held that the school was a Public School within the meaning of Schedule A, No. VI. Rowlatt, J.—" This school is, of course, a comparatively small affair. It is a day school in Kensington with buildings that are not very extensive as school buildings go, and with, I think, some sixty or seventy boys there. But I do not think I ought to pay too much attention to that. Now what is the position of the school ? It satisfies the requirements which were indicated by Lord Justice Fry in the passage

PUBLIC SCHOOL—(*contd.*)

which is very well known in his judgment in *Blake* v. *Mayor*, etc., of London. It has a perpetual Foundation. Of course, the Trustees can let the buildings, but they have not done it at present. They are carrying on the school, and the Fund is always there. It has a charitable substratum ; some part of the income is derived from charity. It is managed by a public body, and no private person has any interest in the school, and no profit is intended, and the object of the school is to benefit a large class of persons. All that it is, although its operations are rather slender. Now the Commissioners seem to have said that it was not a public school because they said it was denominational. . . . . I think if you have got a school for the benefit of a denomination, providing it was not something absolutely, I was going to say, ridiculous, I do not speak offensively, but some very small denomination which did not really number any large number of adherents among the human race, any denomination which appealed to mankind, I should have thought that that would be a public school. I do not think the word " public " is to be measured by the number of people at all that are in the denomination, or the class for which the benefit is intended . . . . . I do not think it is the mere numbers that matter. When Lord Hardwicke spoke of the extensiveness I think he meant the extensiveness in the sense of universality. I think that if there were a school for lepers, as unfortunately there may be lepers coming from anywhere all over the place, you would call that a public school, although by the mercy of Providence there are hardly any lepers in England now. So I do not think it is a matter of numbers at all, nor does religion enter into it. Here you have a public school primarily intended for a very large section, a very considerable section, of the community who may come from any part of the community, and do come from any part of the community ; they are not co-extensive in the sense that they are as numerous, but are co-extensive as far as extension is concerned with the whole community."

QUARRIES.

Quarries of stone, slate, limestone or chalk are deemed to be concerns in the nature of trade arising from lands. They are

QUARRIES—(*contd.*)

chargeable under Schedule A, No. III, Rule 1 (*I.T.A.*, 1918), on the amount of profits arising in the year preceding that for which the assessment is made. The rules of Schedule D apply, however, so far as they are consistent with the rules of Schedule A, No. III. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.) An appeal is allowed to the Special Commissioners. (*I.T.A.*, 1918, *s.* 148.) The essential points to be remembered are (*a*) that the assessment is based on the previous year's profits, (*b*) that a quarry should be charged in the parish where it is situated, (*c*) that no deduction may be made for rent or any other payment of this nature (but tax may be deducted therefrom).

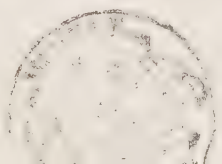
It has been held that in distinguishing between a quarry and a mine, regard must be paid to the subject worked. Works for getting slate were held to be quarries in spite of their being underground. " This statute is imposing a tax upon that which is worked and not upon the mode of working it." (Brett, J., in *Jones* v. *Cwmmorthin Slate Co.*, 1879.)

QUARTERLY ASSESSMENTS ON WEEKLY WAGE-EARNERS EMPLOYED BY WAY OF MANUAL LABOUR.

The following provisions have effect from 1916/17 inclusive. They concern the following class of employees only, viz., weekly wage-earners employed by way of manual labour, and they refer only to their wages arising from that employment. Such employee must (to be included in the term) receive wages which are calculated by reference to the hour, day, week, or any period less than a month (at whatever intervals the wages may be paid), or must receive wages (however calculated) which are paid daily, weekly, or at any less interval than a month.

The provisions do not apply to persons employed as clerks, typists, draftsmen, or in any other similar capacity. Any question as to the standing of any employee as regards this matter is required to be settled by the Board of Inland Revenue and the District Commissioners, jointly. Their determination is final and conclusive.

" *Manual" labour* includes all occupations which depend mainly



QUARTERLY ASSESSMENTS—(*contd.*)

on the exercise of physical exertion, even though a considerable amount of dexterity and training may be involved.

The following classification of doubtful cases is made by the Authorities.

Occupations not regarded as "manual." Clerks, typists, draftsmen, shop managers, shop-walkers, window dressers, checkweighers, van travellers (canvassing and soliciting orders which they supply from van stock), ticket collectors, theatre attendants, musicians in theatres and cinemas, and foremen whose duties are solely those of superintendants.

Occupations regarded as "manual." Assistant foremen, omnibus and tram drivers and conductors, chauffeurs, chefs, cinema operators, dental mechanics, firemen, huntsmen, liftmen, porters, ships' mates (except where the duties are mainly those of superintendence), tailors' cutters and tie cutters (unless supervising others), warehousemen, working dressmakers, working farm bailiffs and working foremen.

The requirement is that persons concerned shall be assessed and charged to income tax in respect of their wages in each quarter. For purposes of employers' returns, and of the assessment and collection of the duty, each quarter becomes a complete unit of time, just as the full year has previously been. Exemptions, abatements and all allowances are still to be made with reference to the earnings of the four quarters which make up the fiscal year.

The duties are assessed by the Inspector of Taxes, but appeal will lie to the District Commissioners of Income Tax.

The tax may be recovered as a civil debt as well as by the methods ordinarily applicable to income tax (page 173). The proposal for the collection of arrears by employers, which appeared in the original draft of the Bill, was dropped.

The Finance Act, 1921, *s.* 29, provides that, in any proceedings for the summary recovery of income tax assessed and charged quarterly, a written statement as to the wages paid for any period to the person against whom the proceedings are brought, purporting to be signed by his employer for the period, or by any responsible person in the employment of the employer, shall be *prima facie*

QUARTERLY ASSESSMENTS—(*contd.*)

evidence that the wages therein stated to have been paid to the person charged have in fact been so paid.

The enactments in question appear in the *Income Tax Act*, 1918, *ss.* 22, 131, 157, 169 ; *Schedule D, Nos. I and II, Rule* 2.

QUIT RENT.

A quit rent is a rent by which a tenant is discharged from other services to which he might have been liable. There is no distinction between this and other rents, so far as income tax is concerned. Tax may be deducted therefrom by the person paying it.

RACING PROFITS.

Racing profits are assessable if they are the result of repeated operations which may be said to constitute the carrying on of a trade. In considering this matter, regard would naturally be paid to the general management of his racing by the person concerned. As the sport in question usually entails far heavier expenses than the occasional receipts can meet, it is evident that money won can only be a trade profit in rare circumstances. The profits arising from a stud, however, are distinctly liable if the buying and selling of horses is a constantly repeated feature of the management. (See also under BETTING PROFITS.)

RACK-RENT.

Rack-rent has been defined as an annual rent stretched to the utmost value of the thing rented, *i.e.*, a rent which expresses the full annual value of what is rented without any other consideration of a qualification whatever. The Income Tax Acts provide that the assessable annual value of lands, tenements, etc., shall be deemed to be the rent by which they are let, or worth to be let, at rack-rent. (*I.T.A.*, 1918, *Schedule A, No. I*—see under ANNUAL VALUE.) They also assume that the landlord should maintain the property in a condition fit to command the existing rent, and should bear the cost of repairs, insurance, and management (*cf. I.T.A.*, 1918, *Schedule A, No. V, Rules* 7, 8). If, therefore, the tenant bears any of these charges, the amount thereof should be added to his rent

RACK-RENT—(*contd.*)

in order to arrive at the rack-rent. Similarly, an addition should be made in respect of any "aids, taxes, or assessments chargeable on or payable by the landlord," but agreed to be paid by the tenant (*e.g.*, land-tax, drainage rate, etc.), and a deduction should be made in respect of any parochial rates, taxes, and assessments chargeable on the occupier, but paid by the landlord out of the rent. (*I.T.A.*, 1918, *Schedule A, No. IV, Rule* 10.)

See under LEASE as to the powers of the local commissioners in determining what the rack-rent is.

RAILWAYS.

Railways are deemed to be concerns in the nature of trade whose profits arise from land. They are assessed under Schedule A, No. III, on the amount of the profits arising in the year preceding that for which the assessment is made. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 3.) The rules of Schedule D (governing the assessment of trade profits, etc.) have been made to apply so far as they are not inconsistent with the rules of Schedule A, No. III (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8), but the following special rules are in force: (*a*) the profits are charged by the Special Commissioners where the accounts are made up (*I.T.A.*, 1918, *s.* 124; and *Schedule A, No. IX, Rule* 2); (*b*) duty is payable in four quarterly instalments on or before 20th June, 20th September, 20th December, and 20th March (*I.T.A.*, 1918, *s.* 157); (*c*) the salaries of the employees of a railway company are assessable by the Special Commissioners on the company, who must pay the tax and may deduct it on paying the salaries concerned. (*I.T.A.*, 1918, *Schedule E, Rule* 7.) See also under EMPLOYEES.

In *Caledonian Railway Company* v. *Hassall* (1919) the Company leased a railway in perpetuity from another Railway Company (the Lanarkshire & Ayrshire Railway Co.) under an Agreement to pay 50 per cent. of the gross revenues to the said Owning Company. The Special Commissioners assessed the Caledonian Railway Co. to include the payment made to the Owning Company. The Court held that the assessment was not in order. Lord Mackenzie—"The contention for the Commissioners is that the Caledonian Railway Company is in the position of being a perpetual lessee,

RAILWAYS—(*contd.*)

with the exclusive right to work and maintain the railway, and to fix rates and charges. It is contended that the Caledonian Railway Company are entitled to deduct all their expenses but not the expenses of the Lanarkshire and Ayrshire Railway. This is in effect to treat the sum of £47,778 as a payment to the owner of the soil within the meaning of Rule III. There are, however, two railway companies and the expression 'concern' cannot be limited to what is worked by one of them. The Caledonian Railway Company do not carry on the whole 'concern.' The Lanarkshire and Ayrshire Railway Company have definite functions which are defined by the agreement. The Commissioners are seeking to tax in the hands of the working company what belongs to the owning company. It is necessary, however, to bear in mind that the Lanarkshire and Ayrshire Railway Company are a railway company, and it must be ascertained what their profit is. . . . . The result of this view is that the answer to this question of law ought to be that on the evidence the determination of the Commissioners is not correct."

RATES.

See under RACK-RENT as regards tenants' rates paid by the landlord; under LONDON for the provision of the Valuation (Metropolis) Act, 1869, in relation to income tax; also under INTEREST as regards interest paid out of rates. Outside London the Schedule A assessments must be (*a*) based on the poor rate assessments if the latter are made on the full annual value of the premises concerned, (*b*) made on sums proportionate to those in the poor rate if the latter are proportionate to the full annual value. (*I.T.A.*, 1918, *Schedule A, No. IV, Rules* 3, 4.) While the poor rate assessments in this manner provide the basis for assessments to income tax, it remains the duty of the local General Commissioners of income tax to consider whether the former assessments represent the full annual value of the subjects rated.

A trader may charge as a trade expense the amount of any rates paid by him on his business premises. When he resides on the premises he may charge a proportion, but not usually more than two-thirds. (See under BUSINESS PREMISES.)

RATES OF INCOME TAX AND SUPER-TAX.

Income tax has been charged at the following rates since 1890—

Year commencing 6th April.	Rate.	
1890 ..	6d. in the £	
1891 ..	6d. ,,	
1892 ..	6d. ,,	
1893 ..	7d. ,,	
1894 ..	8d. ,,	
1895 ..	8d. ,,	
1896 ..	8d. ,,	
1897 ..	8d. ,,	
1898 ..	8d. ,,	
1899 ..	8d. in the £	
1900 ..	1s. 0d. ,,	
1901 ..	1s. 2d. ,,	
1902 ..	1s. 3d. ,,	
1903 ..	11d. ,,	
1904 ..	1s. 0d. ,,	
1905 ..	1s. 0d. ,,	
1906 ..	1s. 0d. ,,	
1907 ..	1s. 0d. ,,	full rate
	9d. ,,	on earned income where the total income does not exceed £2,000
1908 ..	As in 1907	
1909 ..	1s. 2d. in the £	full rate
	1s. 0d. ,,	on earned income where the total income exceeds £2,000, but does not exceed £3,000
	9d. ,,	on earned income, where the total income does not exceed £2,000
	6d. ,,	super-tax on incomes exceeding £5,000, the first £3,000 not being charged
1910–1911	As in 1909	
1912–1913	,,	

RATES OF INCOME TAX AND SUPER-TAX—(*contd.*)

Rates of Income Tax, 1914/15 to 1919/20.

The original rates of tax for 1914/15 were increased by one-third, under the second Finance Act, 1914. The original rates for 1915/16 were double the original rates for 1914/15, but an additional fifth was subsequently added. The result of these changes is as follows—

Year.	*Aggregate Income as assessed or from which tax has been deducted.*	*Rates for Earned Income.*			*Rates for Unearned Income.*		
		Original.	*Increase.*	*Total.*	*Original.*	*Increase.*	*Total.*
		£ s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1914/15	Not exceeding 300	9	3	1 0	1 0	4	1 4
	,, ,, 500	9	3	1 0	1 2	$4\frac{2}{3}$	1 $6\frac{2}{3}$
	,, ,, 1,000	9	3	1 0	1 3	5	1 8
	,, ,, 1,500	$10\frac{1}{2}$	$3\frac{1}{2}$	1 2	1 3	5	1 8
	,, ,, 2,000	1 0	4	1 4	1 3	5	1 8
	,, ,, 2,500	1 2	$4\frac{2}{3}$	1 $6\frac{2}{3}$	1 3	5	1 8
	Exceeding 2,500	1 3	5	1 8	1 3	5	1 8
1915/16	Not exceeding 300	1 6	$3\frac{3}{5}$	1 $9\frac{3}{5}$	2 0	$4\frac{4}{5}$	2 $4\frac{4}{5}$
	,, ,, 500	1 6	$3\frac{3}{5}$	1 $9\frac{3}{5}$	2 4	$5\frac{3}{5}$	2 $9\frac{3}{5}$
	,, ,, 1,000	1 6	$3\frac{3}{5}$	1 $9\frac{3}{5}$	2 6	6	3 0
	,, ,, 1,500	1 9	$4\frac{1}{5}$	2 $1\frac{1}{5}$	2 6	6	3 0
	,, ,, 2,000	2 0	$4\frac{4}{5}$	2 $4\frac{4}{5}$	2 6	6	3 0
	,, ,, 2,500	2 4	$5\frac{3}{5}$	2 $9\frac{3}{5}$	2 6	6	3 0
	Exceeding 2,500	2 6	6	3 0	2 6	6	3 0
1916/17 and 1917/18	Not exceeding 500	2 3			3 0		
	,, ,, 1,000	2 6			3 6		
	,, ,, 1,500	3 0			4 0		
	,, ,, 2,000	3 8			4 6		
	,, ,, 2,500	4 4			5 0		
	Exceeding 2,500	5 0			5 0		
1918/19 and 1919/20	500	2 3			3 0		
	1,000	3 0			3 9		
	1,500	3 9			4 6		
	2,000	4 6			5 3		
	2,500	5 3			} 6 0		
	Exceeding £2,500	6 0					

Rates of Income Tax, 1920/21, 1921/22 and 1922/23.

Year.	*Standard Rate.*	*Half Rate.*
1921/1 and 1921/2	6s. 0d.	3s. 0d.
1922/3	5s. 0d.	2s. 6d.

See Chapter V as to the limits within which these rates are chargeable.

RATES OF INCOME TAX AND SUPER-TAX—(*contd.*)

Rates of Super Tax, 1909/10 to 1913/14.

On all incomes exceeding £5,000, 6d. in the £ on the amount by which the income exceeds £3,000.

Rates of Super Tax, 1915/16 to 1917/18.

The existing scale is as shown below. The original and revised rates for 1914/15 are also shown—

Graduation.	*Rates per £ on Incomes exceeding £3,000*				
	1914/15.				1915/16, 1916/17, 1917/18.
	s. d.			s. d.	s. d.
On the first £2,500	NIL				NIL
,, next £500	5	increased to		6⅔	10
,, fourth £1,000 (£3,000 to £4,000)	7	,,		9⅓	1 2
,, fifth ,, (£4,000 to £5,000)	9	,,	1	0	1 6
,, sixth ,, (£5,000 to £6,000)	11	,,	1	2⅔	1 10
,, seventh ,, (£6,000 to £7,000)	1 1	,,	1	5⅓	2 2
,, eighth ,, (£7,000 to £8,000)	1 3	,,	1	8	2 6
,, ninth ,, (£8,000 to £9,000)					2 10
,, tenth ,, (£9,000 to £10,000)	1 4	,,	1	9⅓	3 2
On all beyond £10,000					3 6

Rates of Super Tax, 1918/19 and 1919/20

Part of Income.	*i.e. part between*	*Rate.*
		s. d.
1st £2,000 of income . .	£0 and £2,000	NIL.
1st £500 above £2,000 .	£2,001 and £2,500	1 0
2nd £500 above £2,000 .	£2,501 and £3,000	1 6
£1,000 above £3,000 . .	£3,001 and £4,000	2 0
£1,000 above £4,000 . .	£4,001 and £5,000	2 6
£1,000 above £5,000 . .	£5,001 and £6,000	3 0
£2,000 above £6,000 . .	£6,001 and £8,000	3 6
£2,000 above £8,000 . .	£8,001 and £10,000	4 0
All above £10,000 . .	£10,001 and upwards	4 6

RATES OF INCOME TAX AND SUPER-TAX—(*contd.*)

The Super-Tax scale for 1918/19 and 1919/20 is as follows—

Incomes exceeding £2,500

Aggregate Income.				*Duty*, 1918/19 and 1919/20.	
Exceeding	£0	not exceeding	£2,000	Nil	
,,	£2,000	,,	£2,500	Nil	
,,	£2,500	,,	£3,000	£25	plus 1s. 6d. for every £ by which the income exceeds £2,500
,,	£3,000	,,	£4,000	£62 10s.	plus 2s. 0d. for every £ by which the income exceeds £3,000
,,	£4,000	,,	£5,000	£162 10s.	plus 2s. 6d. for every £ by which the income exceeds £4,000
,,	£5,000	,,	£6,000	£287 10s.	plus 3s. 0d. for every £ by which the income exceeds £5,000
,,	£6,000	,,	£8,000	£437 10s.	plus 3s. 6d. for every £ by which the income exceeds £6,000
,,	£8,000	,,	£10,000	£787 10s.	plus 4s. 0d. for every £ by which the income exceeds £8,000
Exceeding £10,000				£1,187 10s.	plus 4s. 6d. for every £ by which the income exceeds £10,000

Rates of Super Tax 1920/21 and subsequently.

See Chapter XIII.

REALIZATION OF INVESTMENTS.

See under Investments.

RECEIPT.

A collector of taxes is required to issue a receipt for any duties paid to him. He must use the prescribed form, and must himself sign the acknowledgment of the payment of the sum due. No stamp need be affixed thereto whatever the amount received. If the demand note for duties assessed under Schedules A and B (landlord's property tax and tax on the profits arising from the occupation of the lands) did not distinctly describe the property assessed, the amount of the assessment and rate of duty, these particulars must be specified in the receipt.

There is no statutory authority by which a landlord can demand

RECEIPT—(*contd.*)

the production of the receipt proving payment of property tax, which the tenant seeks to retain out of his next payment of rent. But obviously the landlord is entitled to some evidence of the amount of the duty which has been paid, and the receipt is the only evidence of this. The Courts have recently endorsed this view. (*North London & General Property Co.* v. *Moy*, 1917.)

In a suit for debt it is the practice of the Courts to allow the production of the debtor's income tax receipts to be enforced, if such receipts may tend to prove that the debtor is in a position to discharge the debt. (*Shaw* v. *Kay*, 1904.)

REDUCTION OF CAPITAL.

In *Archibald Thomson, Black & Co., Ltd.* v. *Batty* (1919) the company made profits which it desired to utilize in the payment of dividends, but which could not be so utilized because of a considerable debit balance of Profit and Loss Account, *i.e.* the accumulated losses of previous years. In order to remove this debit balance of Profit and Loss Account the company made application to the Court to have its capital reduced. It contended that the expenses of this application should be deducted in arriving at the amount of its profits which were assessable to income tax. The contention was rejected. Lord Justice Clerk—" This expenditure, while being quite a proper expenditure, and quite properly made in the interests of the company, was not, as it seems to me, for the purposes of the trade, but was made for the purposes of distributing more advantageously as it was thought, the results of that trade, namely, the profit, which, on a trading account balance, would have been available for distribution among the shareholders, had it not been for the debit balance to which I have already referred. I don't think that is, in a proper sense of the term, a disbursement made for the purposes of the trade. It is made for the purpose of dealing with the results of that trade, after these results have been realized ; that is to say, it was made for the purpose of distributing the balance of profit and loss among the shareholders instead of, as had previousy been the case, by placing it to the credit of this debit balance."

RELIEF TO EARNED INCOMES.

See Chapter V.

RELIEF TO UNEARNED INCOMES.

See Chapter V.

RELIGIOUS BODIES.

Religious bodies may claim exemption under the provisions relating to charities. (See under CHARITIES), and also in respect of churches and other buildings not rated by the local authority.

See also under CLERGYMEN AND MINISTERS.

REMITTANCES FROM ABROAD.

See under FOREIGN INCOME.

REMOVAL, COST OF.

The Law.

It has been held that the cost of removing a business from one locality or depot to another may not be deducted from profits, but should be regarded as a capital expense. In *Smith* v. *Westinghouse Brake Co.* (1888) the company applied to be allowed to charge against its profits the cost of removing machinery to a new manufactory. In *Granite Supply Association* v. *Kitton* (1905) the company claimed a deduction in respect of the expense of removing granite and cranes from old works to new ones. In neither case was the deduction admitted.

The Practice.

Present practice is not so strict as suggested in the cases cited above, the cost of removal of stock being allowed in practically all cases, and other removal expenses being allowed if they are not incurred voluntarily.

RENEWALS.

A charge may be made against profits in respect of the renewals of any implements, utensils or articles used in a business. (See under IMPLEMENTS.) The cost of renewing plant and machinery which is the subject of allowance for wear and tear must not be set against profits, but is a capital expense. (See under DEPRECIATION.)

RENT.

A landlord pays tax on his rent through his tenant. The latter is liable for its payment to the Revenue after an assessment has been

RENT—(*contd.*)

made under Schedule A, but he is authorized to deduct tax from his next payment of rent at the rate or proportion of several rates in force while the year's rent was accruing. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rules* 1, 4; *All Schedules, Rule* 19.) He may not, however, deduct more than he has paid, neither may the sum deducted be in excess of tax on the amount of the rent at the rate or proportion of rates referred to. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 4; *All Schedules, Rules* 19 *and* 21 (1).) If a tenant is called upon to pay an arrear due from a former occupier, he may deduct this amount from any subsequent payment to the landlord. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 7.)

Where the nett assessment is larger than the rent, the tenant is deemed to be "beneficial occupier" of a part of the premises, and must himself bear tax on such portion of the assessment as represents his beneficial occupation (*i.e.* his free occupation). Thus, if the rent is £40 and the assessment £60, less £10 for repairs, nett £50, he will pay tax on £50 and recover from the landlord tax on £40. As he is assumed to occupy £10 worth of premises without paying therefor, he is expected to bear tax on £10.

All contracts, covenants, and agreements for the payment of any rent in full without the deduction of tax therefrom are declared to be utterly void. A penalty of £50 may be imposed for any refusal to allow any deduction authorized as stated above. (*I.T.A.*, 1918, *All Schedules, Rule* 23.)

It should be noted that the right to deduct tax paid to the collector refers to the *next* payment of rent (except where a tenant has paid arrears due from a previous tenant). The right of deduction is not limited to tax on the amount of that particular instalment of rent. If it should happen that this instalment is smaller than the amount sought to be deducted, the tenant may without doubt deduct tax from later payments. This event must be rare, however, as the landlord is personally assessable in respect of lands and premises worth less than £10 per annum, of premises let in different apartments to two or more persons, and of lands and premises let to a tenant for less than one year. (See under LANDLORD.) The last mentioned provision does not include the case of what is called a quarterly tenancy or a monthly tenancy, where the rent

RENT—(*contd.*)

is fixed at a certain sum per annum. It would without doubt apply to a weekly tenancy where the rent was fixed by the week and not with reference to a year. Where the landlord is personally assessable it is possible for the tenant or tenants to be called upon to pay the duty, but in this case their right of deduction is not restricted to the next payment of rent. As to where a tenant omits to make such a deduction from his next payment of rent see under OMISSION TO DEDUCT TAX.

See also under LANDLORD; also under RECEIPT as to the production of this voucher.

RENT CHARGES.

A landlord is entitled to deduct tax from any rent-charge at the rate or proportion of several rates in force while the charge was accruing. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 4.)

See also under TITHE.

RENT-FREE RESIDENCE.

Property tax is charged on the person whom the law deems to be the occupier of the premises concerned. In most cases, this is the person who has the use of the premises. Where an employee occupies a house rent free as part of his remuneration, however, two questions arise. Should the assessment be made on the employee or on his employers? Also, should the annual value of the premises be included in the employee's claim to exemption or abatement as part of his total income? As regards the first question, the employers still have the use of the premises, the use to which they put them being to allow their employee to live therein as long as it suits their purpose. The employers are, therefore, the legal occupiers, and will be assessed to the duty. But the matter is different if the employers give their employee the power to let the premises to a third party. In this case the employee has the use of the premises, which use is given him as part of his emolument. The employee, therefore, should be assessed as occupier, and must bear the duty (unless his employers volunteer to do so). The second question is settled on similar lines, as will now be shown.

RENT-FREE RESIDENCE—(*contd.*)

The employee must include all his income on his claim, but must first decide whether the annual value of his rent-free residence is part of his income. The matter was argued in the House of Lords in the case of *Tennant* v. *Smith*, 1892. A bank agent lived rent free in a part of the premises occupied by the bank, for whose purposes he was required to reside there. It was clearly established that he could do nothing with the premises save to reside on them, for the bank would not have allowed him to let them to a third person. The Lords came to the conclusion, first, that the annual value of the residence could not be assessed on the bank agent, and, secondly, that the annual value should not be considered a part of the agent's total income for the purposes of a claim to allowance or deduction. The argument of the Crown on the first point had been that, in estimating its profits for assessment under Schedule D, the bank was allowed to deduct, as a trade expense, the annual value of the premises in question, and therefore that the outgoing expense must accrue to some one in the counter-shape of benefit or emolument. It was contended that the bank agent was in receipt of this annual value, which was accordingly assessable on him, preferably under Schedule D.

The Lords analysed the various sections of Schedules D and E, testing the assessability of the " benefit " under each. They ruled that Schedule D could not cover it, Lord Watson declaring : " I agree that income arising from employment as a bank agent is assessable under Schedule E in all cases where the bank which employs him is a company or society, whether corporate or not corporate, as specified in the third rule of that Schedule. I do not think that it can be maintained that a public office or employment assessed under Schedule E is also liable to be assessed as an employment or vocation within the meaning of Schedule D. Everything in the shape of profit or gain arising from a public office or employment which the Legislature intended to be chargeable with duty, is ascertainable under the rules of Schedule E and under these rules only." They further determined that the benefit in question was not assessable under Schedule E, being neither salary, fee, wages, emolument or perquisite. Such benefit was held not to be a profit, for the following reason : (Lord Watson)—" I do not

RENT-FREE RESIDENCE—(*contd.*)

think it comes within the category of profit because the ordinary acceptation appears to denote something acquired which can be turned to pecuniary account." (Lord Chancellor)—"I do not deny that, if substantial things of money value were capable of being turned into money, they might for that purpose represent money's worth, and be therefore taxable. . . . The thing sought to be taxed is not income unless it can be turned into money." The decision last stated is of great importance in considering liability to income tax. As regards the immediate question of rent-free residences, it distinguishes between a case where the resident may turn his privilege into money by letting the premises, and a case where the resident has not this power. In the latter case there is no liability to assessment. In the former case the Lords were of opinion that there was liability on the resident under Schedule E. But in the former case the Schedule A assessment will probably fall to be made on the employee as potential occupier (whether he is the resident or not). Where this is so, he will not be assessed under Schedule E in addition. (It will be realized that in the case cited the employee was engaged by a company, hence the reference to Schedule E. Where an employee in this position is employed by an individual or a firm, Schedule D should be substituted for Schedule E.)

To conclude the consideration of the liability to inclusion in a claim to abatement of the annual value of a rent-free residence, two more extracts from the judgments in *Tennant* v. *Smith* may be cited. (Lord Watson)—"In ascertaining the total income from all sources (with a view to a claim to exemption) I am of opinion that no income arising in this country can be taken into account which is not chargeable with duty under one or other of the Income Tax Schedules." (Lord Macnaghten)—"It is perfectly clear that nothing is to be brought into account on a claim to relief except what is chargeable for the purposes of assessment." The rule remains, then, that an employee need only include on his claim the annual value of a rent-free residence if an assessment has been made *on him* in respect thereof, under either Schedules A, D, or E.

Two cases have arisen in connection with the manses of Scotch ministers of religion. A minister of the Free Church of Scotland

RENT-FREE RESIDENCE—(*contd.*)

was not required to include in his claim the annual value of a manse provided for him. "The dwelling-house is provided to the respondent as a minister of the congregation, and is in all time coming to be used, occupied and enjoyed by him as a manse. It does not appear to me that the right to occupy a dwelling-house on these terms is one which was intended to be convertible into money. It may be that such manses are *occasionally* let (by the minister) without objection by the trustees, and if so the income so obtained will be assessable. But that cannot affect the present question." (Lord Adam in *McDougall* v. *Sutherland*, 1894.) A minister of the Established Church of Scotland was required to include in his claim to allowance and relief the annual value of a manse of which he is in law regarded as the owner while he is minister. "It appears to me that, for the purposes of the present question, he is the owner. I think that his right is not a right merely of personal residence, but that it could be turned into money." (Lord President in *Corke* v. *Fry*, 1895.) Both these cases followed the rules laid down in *Tennant* v. *Smith*.

For the 1919 amendment of the law concerning clergymen's rent-free residences, see page 170.

REPAIRS.

Property is assessed according to its annual value, *i.e.* the amount for which it is worth to be let at rack-rent, the landlord maintaining it in a fit condition. But an allowance should be made to the landlord in respect of the cost of repairs, maintenance, etc. This allowance is made by deducting from an assessment on lands one-eighth part of the assessment, and from an assessment on houses or buildings one-sixth[1] part of the assessment. (*I.T.A.*, 1918, *Schedule A, No. V, Rule* 7 ; *and No. VIII, Rule* 11.) In the case of any land (with farm buildings, etc.), and any house, a further

[1] From 1923/4 substitute "one quarter" as regards assessments not exceeding £20, "one-fifth" as regards assessments not exceeding £40. For other assessments the "one-sixth" basis remains. (Finance Act, 1922, *s.* 10.) It is provided that the allowance from an assessment exceeding £20 but not exceeding £40, or of an assessment exceeding £40, shall not be less than it would have been had the assessment been £20 or £40 as the case may be. Thus, from an assessment of £21 the allowance would be £4 4s., but for this proviso which requires the allowance to be £5.

REPAIRS—(*contd.*)

allowance may now be claimed, by repayment, in respect of the ascertained cost of maintenance, repairs, insurance, and management in excess of the allowance for repairs. (See later in this article for full details.)

A tenant is entitled to deduct from his rent an amount not exceeding the amount of tax paid by him under Schedule A (landlord's property tax), and not exceeding the current rate of tax on the amount of his rent. In the normal course his rent is (say) £60 ; the assessment is £60 gross less £10 repairs, leaving £50 nett ; he pays tax on £50 and deducts tax on £50 from his rent. But if his rent is £60 and the assessment £90 gross, £75 nett (*e.g.* in the case of a tied public-house), he pays tax on £75, but may deduct from his rent no more than tax on £60. Such circumstances afford no reason for any restriction in the amount of the allowance for repairs. If, however, his rent is £60 and the assessment £48 gross, he may deduct from his landlord whatever he pays up to tax on £60, but will only have been called upon to pay tax on £48 less the allowance. But if no allowance is made the landlord will have received £12 (£60 less £48) without tax having been charged thereon. No allowance will, therefore, be made for repairs, and the assessment will be £48 gross and £48 nett. (The assessment is often less than the rent, *e.g.* where the latter is put up within the quinquennial period during which an assessment may only be amended if there have been structural alterations, etc.) This restriction applies to both lands and houses.

A further restriction applies in certain circumstances to houses or buildings. Where a tenant bears the cost of repairs, the rack-rent is the aggregate of the rent and the cost of repairs (the latter being a landlord's burden). The assessment will be made on the amount of the rack-rent. As, however, the landlord does not repair the premises he will require no deduction from his rent. The nett assessment should therefore be equal to the amount of the rent, and the allowance for repairs is restricted, where necessary, to bring about this result. Thus, if the tenant pays £60 rent and does his own repairs (estimated cost 10 per cent. of the rent = £6), the gross assessment should be £66. The landlord ought to suffer tax on £60, and the allowance for repairs will be restricted to £6, so as to leave a nett assessment of £60. This restriction does not apply to lands.

REPAIRS—(*contd.*)

Specimen allowances under (a), (b) and (c)—

ALLOWANCE FOR REPAIRS

	Lands (inclusive of a farmhouse and other buildings assessed therewith).	*Houses or buildings not included in the preceding column.*
(*a*) *Where the gross assessment is more than one-eighth (lands) or one-sixth (buildings) below the rent, after deducting from the rent any outgoing allowed to be deducted from the assessment.*	No allowance.	No allowance.
(*b*) *Where the tenant is assessed as occupier and bears the cost of repairs.*	An allowance of one-eighth part of the gross assessment.	An allowance not exceeding one-sixth part of the gross assessment, but not large enough to reduce this assessment below the amount of the rent.
(*c*) *Cases not included in (a) or (b)*	An allowance of one-eighth part of the gross assessment.	An allowance of one-sixth part of the gross assessment.

(*a*) Rent £80; gross assessment £60; landlord bears cost of repairs. No allowance for repairs. The tenant pays tax on £60 and deducts all of this from his rent.

(*b*) Rent of farm £144; tenant pays for repairs; gross assessment £144. An allowance of £18 for repairs. The tenant pays tax on £126 and deducts this from his rent.

(*c*) Rent of house £40; tenant pays for repairs inside and outside; gross assessment £44 (£40 plus 10 per cent. of £40). An allowance of £4 for repairs. The tenant pays tax on £40 and deducts this from his rent (NOTE.—Had the tenant borne the cost of the inside repairs and the landlord the outside, the gross assessment would probably have been £42 (£40 plus 5 per cent. of £40), and the allowance for repairs £7, the full sixth of the gross assessment.)

(*c*) Rent of farm £162, including £42 for labourers' cottages;

REPAIRS—(*contd.*)

gross assessment £162; landlord bears cost of repairs. An allowance of £7 (one-sixth of £42, houses) plus £15 (one-eighth of £120, land, farmhouse, and farm-buildings), £22 in all; nett assessment £140. Tenant pays tax on £140 and deducts it from his rent.

(*c*) Rent of house £60; gross assessment £60; landlord pays for repairs. An allowance of £10. The tenant pays tax on £50 and deducts it from his rent.

(*c*) Rent of house £65; gross assessment £60; landlord pays for repairs. An allowance of £10. The tenant pays tax on £50 and deducts it from his rent.

See specimen assessments in Chapter VIII as regards other allowances, tithes, farm cottages, farmhouses, etc.

The additional allowance for the cost of maintenance, etc., referred to in the opening paragraph, may be claimed only where an allowance has been made for repairs as explained above. (*I.T.A.*, 1918, *Schedule A, Case V, Rule* 8.) The allowance is made by way of repayment and may be claimed as follows—

(1) The owner must show that the average cost to him of maintenance, repairs, insurance and management, over the five preceding years has exceeded the allowance already made from the gross annual value as assessed under Schedule A. Maintenance includes the replacement of farmhouses, farm buildings, cottages, fences, and other works, where the replacement is necessary to maintain the existing rent;

(2) A claim may be made with regard to any land managed as one estate or of any houses on such land, *as a whole; i.e.* the total cost of maintenance, etc., may be compared with the aggregate assessments;

(3) If the inspector of taxes is satisfied as to the correctness of a declaration as to the cost of maintenance, etc., he may certify the amount due and repayment may be made accordingly; otherwise, the application must be determined by the local commissioners; in computing the five years' average, the year must be taken as ending on 31st March, or such other date as is adopted by the owner with the consent of the inspector; the five years must end on a date preceding the commencement of the financial year for which the

REPAIRS—(*contd.*)

duty reclaimed has been charged; the claim must be made within three years of the end of that financial year. (*I.T.A.*, 1918, *s.* 41.)

For years up to and including 1913/14 the amount repaid could not exceed duty on one-eighth part (in the case of land) or one-twelfth part (in the case of buildings) of an amount equal to the gross annual value; this restriction did not apply for years subsequent to 1913/14;

(5) The relief applied to *all* lands, but until 1914/15 relief was granted only in respect of houses the annual value of which did not exceed £8; from 1914/15 to 1918/19 the limit was £12. For subsequent years (until 1923/24, when there is no limit) the limits were as follows—

Description.	1919/20	1920/1 to 1922/3
Houses within the Metropolitan Police District, including the City of London—Annual value not exceeding	70	105
Houses situated in Scotland—Annual value not exceeding	60	90
Houses situated elsewhere	52	78

(*F.A.*, 1920, *s.* 29 and 1922, *s.* 10.)

No allowances for repairs, maintenance, management, etc., are made other than those referred to above; and no repayment can be claimed under the above rules where the cost of repairs, etc., has been otherwise allowed as a deduction in computing income for income tax purposes. (*Finance Act*, 1919, *s.* 19.)

REPAIRS UNDER SCHEDULE D.

See decision in *Dumbarton Harbour Board* v. *Cox*, under DEPRECIATION.

REPAYMENT.

See Chapter XII.

RESERVES.

A reserve is a provision for a possible future loss, and as such it may not be set against the profits of the year in which it is created or increased. (See, however, the case of *Stocker* v. *Inland Revenue* under SUPER TAX.) Any expense charged to reserve but which is a legitimate expense of trading may, for income tax purposes, be charged against the profits of the year in which such expense is incurred. Similarly any untaxed income (interest, etc.) which is taken straight to a reserve account, or any sums formerly written off out of profits, but now reserved and taken to a reserve account, should be added to profits for income tax purposes.

RESIDENCE.

Residence is an important factor in the consideration of liability to income tax on the part of concerns commonly described as foreign. *A resident in the United Kingdom* is chargeable on all profits accruing to him within this country, and on so much of profits accruing abroad as is remitted to this country. For 1914/15 and subsequent years he is also chargeable is respect of certain income remaining abroad. (See under FOREIGN INCOME.) *A person who is not resident in the United Kingdom* is chargeable on all profits accruing within this country,[1] but he is not chargeable in respect of profits accruing abroad. The difference may be illustrated by two singers, of whom A is resident here and B is not resident. A is assessable on all he earns in this country, on the income from his foreign property, and also on so much of what he earns abroad, etc., as is sent to him here. B is assessable on all he earns in this country, but may not be charged on remittances from abroad. Again, C is a sleeping partner in a foreign firm; he is resident in the United Kingdom. D is another sleeping partner, who is in precisely the same position, except that he is not regarded as a resident here. C must pay tax on such part of the firm's profits as is received here. D is not liable. A third aspect of the matter under illustration may be shown as regards two companies. Company E is resident here; Company F is not resident here; both companies have offices here and an extensive trade abroad. Company E is assessable on the whole of its profits. Company F is only assessable

[1] See exception under WAR SECURITIES.

RESIDENCE—(*contd.*)

on the portion of its profits which it brings to the United Kingdom.

The facts which constitute residence in the case of an individual will first be dealt with. "A man can have . . . three or more residences . . . and yet these are all residences in the proper sense of the term, that is to say, they are places to which it is quite easy for the person to resort as his dwelling-place whenever he thinks fit, and to set himself down there with his family and establishment. That is a place of residence, and if he occupies that place of residence for a portion of a year, he then is . . . residing there in the course of that year." (Lord President in *Lloyd* v. *Sulley*, 1884.) "It is not necessary in order to a person being chargeable, that he shall have his sole residence in the United Kingdom. A man can have residences in more countries than one, although he can only have one domicile." (Lord President in *Cooper* v. *Cadwalader*, 1904.) It follows, therefore, that it is quite sufficient that a person should have a residence in the United Kingdom, to justify his being assessed as a resident.

But a further question has been raised more than once. "How often must he use that residence to be regarded as a resident?" The matter has been raised by two master-mariners, who spend most (or all) of the year on board ship in foreign waters, but whose wives and families resided in the United Kingdom, where they themselves returned whenever their duties permitted. They were both held to be residents in the United Kingdom, and the following comments were made in the Courts. "If a man has his ordinary residence in Great Britain, it does not matter much whether he is absent for a greater or a shorter portion of the year. . . . Anything like continual residence is not a thing that this statute can be held to contemplate at all, if by continual residence was meant continual personal presence in one place." (*In re Young*, 1875.) "He is not a bit the less a resident in Great Britain because the exigencies of his business have happened to carry him away for a somewhat longer time than usual." (*Rogers* v. *Inland Revenue*, 1879.) These notes on the liability of a resident who does not use his residence, may be concluded by the citation of a specific enactment. "Any subject of Her Majesty whose ordinary residence shall have been

RESIDENCE—(*contd.*)

in the United Kingdom, and who shall have departed from the United Kingdom, and gone into parts beyond the seas *for the purpose of occasional residence,* shall be deemed chargeable as a person actually residing in the United Kingdom upon the whole amount of his profits and gains." (*I.T.A.*, 1918, *All Schedules, Rule* 3.)

In *Thomson* v. *Benstead* (1918) the Appellant was employed by a company trading in Nigeria. It was a condition of his employment that he should remain in Nigeria during the period of his engagement. During the year of assessment he maintained a residence in the United Kingdom for his wife and family and he was personally present there during four months of the year, though during those four months he did not perform his duties. It was held that he was a resident in the United Kingdom and was charged with income tax on such remuneration as was received by his wife or himself in the United Kingdom. Lord Justice Clerk—" I am of opinion that assuming that the Appellant had for part of the year two residences, his ordinary or principal residence was all the time where his wife and family were. It was contended for the Appellant that to make income assessable it must be earned during the time when the Appellant resided in this country. I find no such provision expressed in the Statute and I can find no justification for implying any such provision."

The converse case is that of a person who is mainly resident abroad, but who has a residence in the United Kingdom. Such a person may have more than one *ordinary* place of residence. A merchant ordinarily resident in Italy, was held to be resident in this country, by reason of the fact that he sustained a residence here and occupied it for several months in the year. (*Lloyd* v. *Sulley*, 1884.) An American gentleman who rented a house and shooting rights in Scotland, where he spent about two months in each year, was also held to be a resident for income tax purposes. (*Cooper* v. *Cadwalader*, 1904.) On the other hand, a person who was ordinarily resident abroad but who usually visited a house in the United Kingdom owned by his wife each year, was held not to be a resident in such years as he did not make the visit. (*Turnbull* v. *Foster*, 1904.) In a further case, an American citizen lived during the year of assessment on his yacht which was moored

RESIDENCE—(*contd.*)

within the port of Colchester. It was held that he was a resident in the United Kingdom. (*Bayard Brown* v. *Burt*, 1911.)

The only exempting clause relating to foreign visitors requires, as conditions of exemption, (*a*) that such person shall be in this country for some temporary purpose only, (*b*) that such person shall not be in this country with a view to establishing his residence therein, and (*c*) that such person shall not reside in this country for six months, in the aggregate, during any one financial year. (*I.T A.*, 1918, *Schedule D, Miscellaneous, Rule* 2.) These conditions must *all* be complied with, being concurrent and not alternative. Further, if a person claims this exemption and subsequently makes another visit to the United Kingdom during the same financial year, he is deemed to be a resident.

The residence of a company is fixed by the carrying on of its trade, that is to say, the place of one is also the place of the other. " The company resides where the real business is carried on, *i.e.* where the central management and control actually abides. . . . An individual may be of foreign nationality and yet reside in the United Kingdom. So may a company." (Lord Chancellor in *De Beers Consolidated Mines, Ltd.* v. *Howe*, 1906.) It follows from this that a company which is resident in this country is assessable on the whole of its profits in whatever part of the world they may arise. In the *De Beers*' case the company's directors met in two places. One body met at the registered offices in South Africa, where the mines were situated. The majority of the directors met in London, where the most important business was decided. The company was held to be resident in the United Kingdom. In *Wingate* v. *Webber* (1897) a shipping company trading from Glasgow was held to be resident in Norway, where its books were kept and its principal officers resided. Numerous other cases have been decided as to the circumstances which constitute the carrying on of a business in the United Kingdom. The following dicta will illustrate the principle which underlies all the decisions. " This company resides at the office where the directors meet, where other meetings of the whole company, or its representatives, are held, and where they transact their business and exercise the powers conferred upon them." (Chief Baron Kelly in *Calcutta Jute Mills*

RESIDENCE—(*contd.*)

Co., Ltd. v. *Nicholson*, 1876.) "The profits cannot be got at except in England, and by dealing with all the transactions of the business carried on under the direction of the masters in England, although some of those transactions are carried on abroad. . . . It is true that part of the profits is earned by means of transactions abroad, but that is not carrying on the business abroad. It is carrying on the business in England by means of some transactions of it which are carried on abroad." (Lord Esher in *London Bank of Mexico* v. *Apthorpe*, 1891, in which case the company was managed in England, but carried on business as bankers in Mexico.) The fact that there is local management abroad does not necessarily prevent a company from carrying on its business in this country when its seat of management is here. (*Denver Hotel Co., Ltd.* v. *Andrews*, 1895; *San Paulo Railway Co.* v. *Carter*; *Grove* v. *Elliots and Parkinson*, 1896.) In a recent case, however, an English company owned an hotel in Egypt which, by its Articles, was managed and controlled by an Egyptian Board elected by the shareholders. There were English directors also, but they directed the company and not the hotel. It was held, in the Court of Appeal, that the hotel business was not carried on in the United Kingdom. The House of Lords was equally divided in this case, and the decision in favour of the company was therefore confirmed. (*Egyptian Hotels, Ltd.* v. *Mitchell*, 1915.) In *Hood & Co., Ltd.* v. *Magee* (1918) the company was registered both in Ireland and the U.S.A. Its business consisted of purchasing raw linen goods in the United Kingdom, arranging the manufacture of the same by other firms, itself folding the finished goods in Belfast and selling them principally abroad. The sole director of the company who resided in the U.S.A. did not possess a majority of the votes attaching to the shares of the company but under the Articles he had exclusive and supreme control of the company. General meetings were held at the registered office in Ireland where the minute book was kept, the company's accounts audited and the dividends declared. It was held that the company was resident at Belfast where central management and control was exercised. Gibson, J.—"The whole motive or driving power propelling the company machine and guiding its movements and operation came from

RESIDENCE—(*contd.*)

John Hood who, however, operating in New York not in his own person but as director of the company of which (to use another figure) he was the mainspring. . . . . Though the brain of Mr. Hood as a human being directed the company's operations, he was a director acting under a special delegated authority from the company, a distinct legal person. . . . . The company in its visible responsible operations, contracts, staff, ownership, distribution of profits, etc., was an Irish company, though its executive dealings were in the hands of Mr. Hood as agent. The residence of the company cannot be determined by Mr. Hood's choice of his own residence."

Where an English company controls a foreign company, which in turn manages the foreign business, the question of liability in respect of the business is not so clear. In *Kodak, Ltd.* v. *Clark*, 1903, the English company held 98 per cent. of the shares of the foreign company. It was decided that the former company *controlled* the latter, but that this fact alone did not prove liability in respect of the total profits of the foreign company. It was necessary to prove that the business was *managed* by the English company. Similarly, in *Stanley* v. *Gramophone and Typewriter Ltd.*, 1908, it was held that "the Crown can only succeed in sustaining an assessment on an English company which holds the shares of a German company which conducts the foreign business by making out that the German company was merely the agent of the English company as principal in carrying on the business. Nothing short of this would suffice." The essential consideration justifying the assessing of a company as a resident in the United Kingdom is, therefore, that the centre of management is in this country. A vital point is whether there are any other persons or concerns holding interests in the foreign company which may clash with the interests of the English company.

In the case of the *American Thread Company* v. *Joyce* (1913), the American company named was registered in America where its actual trading operations took place. The extraordinary meetings of the directors of the company were required to be held in the United Kingdom, and certain very important powers were reserved for meetings so held. The whole of the shares of the company were held by the English Sewing Cotton Company, Limited, at

RESIDENCE—(*contd.*)

whose offices in Manchester the extraordinary meetings referred to were held. The Commissioners confirmed an assessment on the American company in respect of the full profits of that company, on the ground that the American company was resident in the United Kingdom. Hamilton, J.—" Of course, the circumstance that the English company owned the whole of the common stock did not enable the English company to issue orders which must there and then be obeyed as such in point of law. It did not make them of itself the owners of the business, or constitute them the persons carrying it on, but the expression " controlling interest," which is commonly used for such a case, indicates a real thing. The ability by proxy to cast the entire vote of the company at the annual meetings, at general meetings of the stockholders in the United States, is one which has a serious influence or, at any rate, the Commissioners might well think it had, upon the position of those who spoke in the name of the English company ; and the majority of the Board of the Appellant Company were not only resident in England, but were directors of the English Sewing Cotton Company, Limited. The materiality of that, therefore, is that although in various paragraphs of the case it is stated that the extraordinary meetings in England used the language of recommendation, of criticism and of suggestion, those recommendations might well have much greater force than the name which is attached to them would imply. Now it is said, ' What is the business of this Appellant Company ? ' It is to spin cotton into thread and sell it. Where does it sell it ? Where does it make it ?—in the United States. Where does it buy its raw material ?—at any rate not in the United Kingdom. What is the current business of the company except this, and what part of this is carried on in England at all ? For what purpose is the company resident in England ? Only by the English directors for the purpose of certain reserved and exceptional powers, the exercise of which does not fall within the current business of the company. The by-laws of 1903, equivalent as I understand it to the Articles of Association of an English company, regulate this matter. . . . . Why, then, did the Board of Directors meet, by a majority of their members, every fortnight in Manchester, at an office, which by the Articles had to be the

RESIDENCE—(*contd.*)

office of the company there, which the gentleman who acted as the assistant secretary seems to have treated as their office, and an office which was for the time being theirs while they sat there, though they had the use of it gratuitously by the courtesy of the English Cotton Company? I do not know. The Commissioners did. They had before them the record of the business transacted there, they summarized and dealt with some of it, and it appears to me to be clear from the summary that there was evidence before them which would justify them in saying that the Board of Directors sitting in England were exercising a high direction over the affairs of the Company."

See under WAR SECURITIES as regards exemptions allowed to persons not ordinarily resident in this country.

RETURNS.

Returns are dealt with in Chapters IX and X, where several specimens will be found. The principal rules may be summarized here—

(1) *Schedule D* (*Profits of trade, etc.*).

(*a*) The public announcements are the legal notices requiring returns to be made; individual forms are required to be served, but no plea can be entered that such a form was not received;

(*b*) *Firms.* A return is *required* on page 2 of Form No. 1 (or 1A); the precedent acting partner must state the firm's profits on this page of a firm's form, and each partner must return all untaxed income not included in the firm's return (or state "none") on page 2 of his own form No. 11 (or 11A);

(*c*) *Individuals* must similarly complete page 2 of No. 11 (or 11A). The other spaces provided on the form are mainly for the use of persons desiring to make claims in respect of insurance wife, children, etc.

(*d*) Companies complete page 2 of Form No. 1 (or 1A).

(2) *Employees.*

(*e*) As under (*a*) above, except as regards officials under (*f*).

(3) *Schedule E* (*Employees of companies, societies, etc.*).

RETURNS—(*contd.*)

(*f*) A return may be required on page 1 of form 12 (or 12 A); the other spaces are intended for claims as under (*c*) above.

See also under ALLOWANCES (as to what may be claimed); LODGERS; PENALTIES (for failure to make a true return); QUARTERLY ASSESSMENTS.

ROAD MAKING.

The cost of road making may be allowed to be set against profits where it is part of the business whose profits are assessed, *e.g.* in the case of an estate development company. (See under PLANTATIONS for an example in which such cost may not be deducted from profits. See also under PAVING.)

ROYALTIES.

See under LITERARY COPYRIGHT; MANORS; and PATENTS. Tax should be deducted from mining royalties in accordance with the provisions stated under ANNUAL PAYMENTS.

RUBBER COMPANIES.

See under PLANTATIONS.

SALARIES FREE OF TAX.

In *Meek* v. *Port of London Authority* (1918), an action was brought by certain employees of the Port of London Authority. They were originally employed by the London and India Docks Company, which, from March, 1909, was transferred to the Port Authority by an Act which provided that the servants of the company should receive not less pay than if the Act had not been passed. It had been the practice of the company to pay income tax on the wages of their staff, but the plaintiffs knew nothing of this practice on entering the company's employment, and were exempt from income tax until the exemption limit was lowered in 1915. It was held that the company had entered into no contract to pay the tax, and that there was no obligation on the Port of London Authority to do so.

SALT SPRINGS OR WORKS.

These concerns are assessed under Schedule A, No. III, on the profits arising within the year preceding the year of assessment.

SALT SPRINGS OR WORKS—(*contd.*)

(*I.T.A., Schedule A, No. III, Rule* 3.) Such rules of Schedule D as are consistent with the rules of Schedule A, No. III, are made to apply. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 8.) The chief differences between the assessment of salt springs or works and of ordinary trades are: (*a*) the assessment on the previous year's profits, and (*b*) the inadmissibility of the deduction from the profits of the land which is being worked. No deduction may be made in respect of the exhaustion of capital.

SAVINGS BANK INTEREST.

Interest allowed by the Post Office Savings Bank is paid without the deduction of tax therefrom, and should therefore be returned for assessment by any liable person to whom it accrues. The return should be based on the amount accruing within the year preceding the financial year of assessment.

The income (ordinarily chargeable under Schedule C or D) of a savings bank is exempted so far as it is applied in the payment or credit of interest to any depositor.

A return of all single payments or credits of £5 or more must be made to the Inspector of Taxes in whose district the bank or the branch concerned is situate. The return should be made by the 1st May succeeding the year in question.

The relief in respect of expenses of management (page 296) extends to savings banks.

See under WAR SECURITIES as regards interest therefrom credited to Post Office Savings Bank accounts.

SAVINGS CERTIFICATES.

See under WAR SAVINGS CERTIFICATES.

SCAFFOLDING.

Scaffolding is not regarded as plant or machinery in respect of which an allowance may be made for wear and tear. (See under DEPRECIATION.) It is within the term "implements, utensils or articles employed for the purpose of trade" the cost of whose supply, repairs or alterations may be charged against profits. (See under IMPLEMENTS as regards this expense.)

SCHEDULES OF ASSESSMENT.

The succeeding notes are written under the following headings: *Schedule A* (landlord's property tax); *Schedule B* (tax on profits arising from the occupation of land); *Schedules A and B* (rules common to both schedules); *Schedule C* (the assessment of annuities, interest, etc., payable out of any public revenue); *Schedule D* (the assessment on profits of trades, professions, employments, interest, foreign income and all profits not charged under any other Schedule); *Schedule E* (the assessment of the profits of an office or employment under a society, company, public body, etc.).

See also under APPEALS, ASSESSMENTS, and PROFITS for rules which have general application. See also under QUARTERLY ASSESSMENTS.

SCHEDULE A.

Numerous notes pertaining to Schedule A will be found under appropriate headings (*e.g.*, RENT, REPAIRS, TENANT, etc.). The present note will set forth the general rules and summarize the principal points of interest. Rules common to Schedules A and B will be found under the second heading after this.

Duty under Schedule A is frequently known as property tax, and is chargeable in respect of the rents and other profits which arise from the ownership of lands, tenements, hereditaments and heritages in the United Kingdom. (*I.T.A.*, 1918, *Schedule A.*) Assessments are made under three rules, viz.: *No. I* (or the *General Rule*) for all lands and property capable of actual occupation, including all lands and properties not included in No. II or No. III (assessments under No. I are based on the annual value of the subjects charged); *No. II*, for tithes, church dues, manors and royalties, fines and other profits arising from land not in the occupation of the person chargeable (assessments under No. II are made according to actual receipts on various averages); *No. III*, for quarries, mines and ironworks, gasworks, waterworks, railways, and twelve other concerns in the nature of trade (assessments under No. III are made according to actual receipts on various averages; see page 434).

No. IV contains additional rules for assessments under No. I and No. II. *No. V* provides for the allowance of certain expenses

SCHEDULE A—(*contd.*)

from such assessments (tenths, first-fruits, procurations, land-tax, drainage rates, etc.). *No. VI* grants exemption in respect of the properties or rents of hospitals, almshouses, public schools, literary and scientific institutions, charities, etc. (See the 1922 extension stated under CHARITIES.)

The preceding paragraphs set forth the structure of Schedule A. The rules which are of practical importance will now be summarized. The general rule (No. I) referred to above provides for assessment according to annual value, which is taken to be the rent by the year at which the properties are let at rack-rent, if the amount of such rent has been fixed by agreement within seven years; if not so let at rack-rent, then at the rack-rent at which the same are worth to be let by the year. When a landlord pays out of the rent any parochial rates, taxes, and assessments chargeable on the occupier, the annual value is estimated exclusive of those payments (taken as the actual amounts paid in the preceding year). Where a tenant contracts to pay aids, taxes or assessments chargeable on or payable by the landlord, the amount thereof paid in the preceding year is added to the rent or estimate under the general rule. (See under ANNUAL VALUE and RACK-RENT.)

If the annual value cannot be otherwise ascertained, the assessment should be made on the sums in the poor rate, if rated at the full value, or on sums proportionate to those in the poor rate, if rated proportionately to the full value.

Returns of land and property are required. In the case of houses, tenements, or lands of an annual value of less than £10, the assessor may estimate the annual value without requiring a return, unless the surveyor objects to his estimate. The production of any lease may be required.

When land is let at a reserved rent in consideration of improvements by the tenants, the rent being settled on the medium annual value in the expectation of a progressive improvement, the assessment under Schedule A should be made on the reserved rent.

Duty may not be levied on any house for a period during which it is unoccupied.

The commissioners, inspectors, and assessors, or persons authorized

SCHEDULE A—(*contd.*)

by them, may at all reasonable times inspect the rate books and take copies or extracts without payment of any fee.

The local general commissioners may make an order for the assessors and inspectors, with a person of skill, to inspect the lands or property after two days' notice, and "at all seasonable times in the day-time."

In *Shaw* v. *Lichfield Conduit Lands Trustees* (1920) a reservoir owned by the trustees of a charity, was used to provide water for the city of Lichfield, no charge being made for water supplied for public purposes, and a nominal charge only for water supplied for domestic and trade purposes. Only one-quarter of the expenses of the undertaking was obtained from the persons to whom the water was supplied, the remaining expenses being met out of the endowment income of the Trust. The question was whether the undertaking was assessable under Case III of Schedule A on the profits (which would be nil) or under No. I of Schedule A on the annual value. The Court decided in favour of the latter view. Rowlatt, J.—"Am I to regard these Trustees as carrying on a concern the profits of which, if there are any, happen to be allocated in the last resort to public purposes, which does not matter, or am I to consider these waterworks as really a valuable piece of property of the inhabitants of Lichfield which is carried on for their benefit, although there is a provision in the scheme by which it is now governed for the ultimate disposal of any emergent profits which there may chance to be? . . . . I think it is simply a local piece of valuable property, it is not a concern at all of the kind that is contemplated in Rule 3, but simply remains a hereditament, and a very valuable hereditament, and as such must be assessed under Rule 1."

Deductions are allowed under No. V in respect of the following expenditure: (1) tenths, first-fruits, duties and fees on presentation paid by any ecclesiastical person within the year preceding that in which the assessment is made; (2) procurations and synodals paid by any ecclesiastical person on an average of seven years preceding; (3) repairs of collegiate churches and chapels, and chancels of universities or any college or hall in any university, by any ecclesiastical or collegiate body, rector, vicar, or other person bound to repair, on the actual expenses of the preceding year; (4) parochial

SCHEDULE A—(*contd.*)

rates, taxes, and assessments on any rent-charge confirmed by the Act for the commutation of tithes, on the amount paid in the year for which the assessment is made ; (5) land tax charged on lands, tenements, hereditaments, or heritages ; (6) the amount charged by public rate or assessment in respect of drainage, fencing, or embanking. (See under these headings, also under EMBANKMENTS.)

Certain other allowances are stated under REPAIRS, including an allowance made (since 1909–10) in respect of expense incurred for maintenance, repairs, insurance and management. (See also under FLOODS.)

Duties under Schedule A are chargeable on and payable by the occupier for the time being, his executors, administrators, and assigns. Every person having the use of any lands or tenements is considered to be the occupier. Occupiers may deduct tax from rent (see under RENT), and in certain cases the assessments are made direct on the landlords. The latter are authorized to retain tax on interest and other charges paid out of the rent. (See under LANDLORD.)

Quarries of stone, slate, limestone, or chalk, and mines of coal, tin, lead, copper, mundic, iron, and other mines, are assessable according to the rules of Schedule D, but quarries on the profits of the preceding year, and mines on the average profits of the five preceding years. (See under QUARRIES and MINES.)

Ironworks, gasworks, salt springs or works, alum mines or works, waterworks, streams of water, canals, inland navigations, docks, drains and levels, fishings, rights of market and fairs, tolls, railways and other ways, bridges, ferries, and other concerns of like nature, are assessable according to the rules of Schedule D, but on the profits of the year preceding. (See under the headings given to each subject.)

See also under TITHES. Specimen assessments are given in Chapter XI.

SCHEDULE B.

Duty is charged under Schedule B in respect of the profits which arise from the occupation of land by a farmer or other person. The rules of this schedule follow after those of Schedule A. (*I.T.A.*,

SCHEDULE B—(*contd.*)

1918, *Schedule B.*) No. VII directs that the duty shall be charged on all properties included within No. 1 (see under SCHEDULE A) *except dwelling-houses* (but not excepting farmhouses occupied under the same demise as a farm and for the purpose of farming the same), *and buildings occupied for the purpose of carrying on a trade or profession.* That is to say, duty is chargeable under Schedule B in respect of all lands, including farmhouses (with farm buildings) *rented* and occupied with the lands for farm purposes. Labourers' cottages, a farmhouse occupied by the owner, and a farmhouse used for purposes of trade (*e.g.* by a blacksmith, auctioneer, etc.) are not within the charge. For several years prior to 1922/3 duty was chargeable on double the annual value (*I.T.A.*, 1918, *Schedule B*) of the subject assessed, that annual value having been fixed under No. 1 of Schedule A ; except that lands not occupied only or mainly for purposes of husbandry were assessable on an amount equal to the said annual value. From 1922/3 the basis is the annual value and one-third the annual value respectively. (*F.A.*, 1922, *s.* 10.)

In *Kier* v. *Gillespie* (1919) the Court decided that the word "husbandry" as used in the *F.A.*, 1918, *s.* 21,[1] extended to all farming operations and included the rearing of sheep and the grazing of land by sheep or cattle. The Appellant contended that the term "husbandry" did not include these operations, and therefore that the provision for the assessment of lands occupied for purposes of husbandry on the basis of twice their annual value was not applicable to land so occupied by him. The Court decided in favour of the Revenue. The Court referred to various dictionaries as to the meaning of the word "husbandry." Lord Cullen—"The distinction sought to be drawn by the Appellant is one without any practical truth, because it in no way corresponds with the manner in which holdings for farming purposes are in use to be let and occupied and, if it were accepted, it would become necessary for the purposes of assessing income tax to treat such holdings and their rental or annual value as divided up between the fields or portions thereof ploughed or planted during the particular year of taxation, and the fields or portions in pasture, or not ploughed or planted. It is impossible, I think, to hold that the legislature intended such a result."

[1] The annual charging section of Schedule B.

SCHEDULE B—(*contd.*)

It has been held that a deer forest is assessable under Schedule B on this basis (*In re Middleton,* 1876), and that a tenant who held two leases of a farm, one for grazing and one for shooting rights, should be charged under Schedule B in the combined rents, as for Schedule A. (*Revell* v. *Scott,* 1895.) When land is let at a reserved rent in consideration of improvements by the tenant, the rent being settled on the medium annual value in the expectation of a progressive improvement, the assessment under Schedule B should be made on the rack-rent for the term of the lease as ascertained at the commencement of the demise. (See under RACK-RENT.) The allowance for repairs, drainage, tithe, etc., referred to under SCHEDULE A does not extend to Schedule B. Duty charged under the latter schedule is paid and borne by the occupier. See also under FARMS, FARMHOUSES, and WOODLANDS. Specimen assessments will be found in Chapter XI.

In Ireland the annual value under Schedule B is (*a*) the judicial rent fixed under the Land Law (Ireland) Acts; or (*b*) the annual interest payable to the Irish Land Commission in lieu of rent under the Land Purchase (Ireland) Acts; or (*c*) the purchase annuity payable under the Land Purchase (Ireland) Acts; this applies in any case where (*a*), (*b*) or (*c*) is less than the Poor Law valuation. (*I.T.A.,* 1918, *s.* 187.)

The annuity referred to under (*c*) above, means the annuity as reduced, if reduced under the Irish Land Purchase Act, and not the annuity as originally fixed (*Corcoran* v. *Judge,* Divisional Court, 1919).

See also under CHARITIES and under FARMERS.

SCHEDULES A AND B.

Rules common to Schedules A and B will be found under ANNUAL VALUE (the basis of charge), LEASE (as evidence of annual value), COLLECTION (as to the payment of duties), and FLOODS (as to losses caused thereby) and CHARITIES (as to exemption in certain cases).

Assessments made under these schedules usually last for several years, the Finance Acts of the intermediate years directing that the annual value adopted for the previous year shall also be taken

SCHEDULES A AND B—(*contd.*)

as the annual value for the current year. In such years the assessment may be varied by the commissioners only (*a*) if lands have been divided or premises structurally altered, thereby creating a new subject of charge ; (*b*) if the original assessment is now found to have been erroneous at the time when it was made ; (*c*) as regards allowances in respect of repairs, exemption, etc., which may be revised annually. In *Turner* v. *Carlton*, 1909, it was held that an assessment under Schedule A, which was fixed in 1903-4, could not be altered for subsequent years for which the assessment for 1903/4 was required to be adopted. In point of fact a taxpayer is allowed to appeal any year.

In *Gundry* v. *Dunham* (1915), the facts were as follows : In a quinquennial year a licensed house was assessed (Schedule A) on a certain sum. Notice of appeal was given, but the appeal was not persisted in. In a subsequent year the poor rating was increased, upon which an additional Income Tax assessment was made for the quinquennial year and subsequent years. It was contended that the additional assessment could not be made after the settlement in the quinquennial year, and that in any case the Commissioners had accepted the revised poor rating without considering the annual value of the property. The contentions were rejected, and the additional assessment upheld.

The *F.A.*, 1922, *s.* 10, provides for a new assessment for 1923/4 and authorizes the carrying out of the necessary procedure during 1922/3.

Specimen assessments will be found in Chapter XI.

SCHEDULE C.

Schedule C includes profits arising from interest, annuities and dividends, and shares of annuities payable out of any public revenue, whether British, colonial, or foreign (*e.g.* Government Stocks, etc.). The duty is assessed by the special commissioners on the persons and bodies entrusted with the payment of the income concerned. These persons and bodies are required to deliver to the Board of Inland Revenue written statements, showing their names and residences, and particulars of the sums entrusted to them for payment. The statements must be delivered within one calendar month

SCHEDULE C—(*contd.*)

of the publication in the *London Gazette* of a notice requiring them. On demand, the persons referred to must deliver, for the use of the special commissioners, accounts of all amounts payable by them. Duty must be paid to the Board's account in the Bank of England, and a corresponding deduction may be made in paying the interest, etc., to the persons entitled thereto. The commissioners are not required to assess interest, etc., paid through the Bank of England or the National Debt Commissioners, where the half-yearly payment is 50s. or less ("does not exceed 50s." prior to 6th April, 1916). In such cases duty is chargeable on liable persons on the amount accruing in the year preceding the year of assessment.

Liability extends to dividends, etc., where the right or title of the person to whom they are payable is shown by the registration of his name in any book or list ordinarily kept in the United Kingdom. Income tax is not payable, however, in respect of the interest or dividends of any foreign or colonial possession, where it is proved to the Board that the person owning the securities and entitled to the interest is not resident in the United Kingdom. Any repayment of duty must be claimed within six months after the year of charge. (See under NON-RESIDENT.)

The expression "person entrusted with payment," referred to above includes (*a*) any banker or person acting as a banker who sells or otherwise realizes coupons for bills of exchange; (*b*) any person who, by means of coupons (including warrants for bills of exchange, etc.), obtains payment of dividends elsewhere than in the United Kingdom; (*c*) any dealer in coupons purchasing coupons for dividends (save such as are payable in the United Kingdom only) otherwise than from a banker or another dealer. Such persons, having performed all acts necessary to the assessing and paying of the duty, are entitled to poundage on the amount paid. This and other matters in this connection should be arranged with the Special Commissioners, Kingsway, W.C.2. No obligation is imposed on any banker or other person to disclose any particulars relating to the affairs of any person on whose behalf he may be acting.

See also under DEDUCTION OF TAX and under WAR SECURITIES.

SCHEDULE D.

Duty is chargeable under Schedule D—

(*a*) *On any person residing in the United Kingdom*, in respect of all profit arising in this country, of all profit arising abroad which is received in this country, and, from 1914/15, of certain foreign income remaining abroad (see under FOREIGN INCOME);

(*b*) *On any person not residing in the United Kingdom*, in respect of all profit arising in this country. (*I.T.A.*, 1918, *Schedule D*, *Rule* 1 (*a*) (iii).)

Interest as well as profit is a subject of charge. (See under INTEREST.)

Three questions arise from the above statement of liability. First, what is it to reside in this country? Secondly, what is included in the word "profit"? Thirdly, what profit may be said to arise in this country? Each of these matters has received a legal interpretation different from that which might be anticipated without examination. The first two are dealt with under RESIDENCE and PROFIT respectively. The third may be answered as follows. Income arises in the United Kingdom (*a*) when its source is a trade, etc., exercised in this country, and (*b*) when its source is a trade whose centre of management is in this country, wherever its trading operations may be carried on. These subjects are considered in detail under various headings indicated under FOREIGN.

Having decided that any income is within the rules of Schedule D, it remains to classify it according to its source. Schedule D contains six cases (*I.T.A.*, 1918, *Schedule D*, *Rule* 2), whose subjects and rules of assessment are as follows—

Case I. Profits in respect of any trade, manufacture, adventure, or concern in the nature of trade, assessable on the average profits of the three preceding years ending on 5th April, or on such day of the year immediately preceding on which the accounts have been usually made up. If the concern has been set up within the three years, the profits must be computed on the average from its commencement. If it has been set up within the year of assessment, the profits should be estimated according to the rules of Case VI. (See Chapters III and IV as to trade averages and exceptions thereto.)

Case II. Profits in respect of professions, employments or vocations assessable on the average profits as in Case I. The profits

SCHEDULE D—*(contd.)*

assessed under Cases I and II must exclude the profits derived from lands, etc., occupied for the purposes of the concern.

Case III. Profits of an uncertain value (including interest not being annual interest, and the profits of a dealer in cattle or a seller of milk not covered by the assessment under Schedule B), assessable on the profits of the preceding year.

The *F.A.*, 1922, *s.* 17, provides that interest and other matters assessable under Case III of Schedule D shall be charged as follows—

(*a*) In the year in which the income is first received income tax is to be charged on the actual amount of income arising in that year.

(*b*) In the first complete year in which the income in question is received tax is to be charged on the actual income of the said first complete year. (Where income first commences to arise on the sixth day of April, *i.e.* the first day of the financial year, then, of course, (*a*) has no application, the first period of liability being that stated under (*b*).)

(*c*) In the second complete year tax is to be charged either on the income of the first complete year or on the income of the second complete year, as the taxpayer may select.

(*d*) In the third complete year and in all subsequent years until the income ceases tax is to be charged on the income arising in the previous year.

(*e*) In the year in which income under Case III ceases to arise the taxpayer may make application under No. 3 of the Miscellaneous Rules applicable under Schedule D for the adjustment of the assessment for that year to the actual income arising therein.

It will be seen, therefore, that a taxpayer must pay twice on the income of one particular year, *i.e.* either on the income of the first complete year or the income of the second complete year. This may be to the advantage of the taxpayer or to the advantage of the Revenue. As the taxpayer has the option, which the Revenue has not, the chances are that it will be to the favour of the taxpayer. In the final year, however, the taxpayer has a further option as shown above.

SCHEDULE D—(*contd.*)

(This enactment was consequent on the decision in *Brown* v. *National Provident Institution* and *Ogston* v. *Provident Mutual Life Association*, House of Lords, 1921, set out below.)

Case IV. Profits in respect of interest arising from foreign and colonial securities (except those charged under Schedule C), assessable on the full amount of the sums received in the United Kingdom during the year of assessment. (See under FOREIGN SECURITIES.)

Case V. Profits in respect of sums or value received in the United Kingdom from foreign or colonial possessions, assessable on the average stated in Case I. (See under FOREIGN POSSESSIONS.)

For 1914/15 and subsequent years certain foreign income is assessable although it may remain abroad. (See under FOREIGN INCOME.)

Case VI. Profits not falling under any other schedule or under Cases I to V, assessable on such average as the case may require or the commissioners may direct. The scope of Cases III and VI is indicated under PROFITS.

The case of *Brown* v. *National Provident Institution* and *Ogston* v. *Provident Mutual Life Association* (House of Lords, 1921) dealt with various questions as to the basis of assessment. It had to do with transactions in Treasury Bills, some of which were held until maturity, while others were disposed of before the date of maturity. The various questions covered by the decision are as follows—

1. *Is the difference between the purchase price of the Bill and the sum received from it on maturity a discount which is taxable under the Income Tax Acts?*

This question was answered in the affirmative. It is clear that where an individual or a company has transactions in discounts habitually, he may be assessed on the profits under Case I of Schedule D, *i.e.* he may be regarded as carrying on a trade.

It was further decided specifically that even when such a discount is not the profit of a trade or business, it is assessable to income tax under Case III of Schedule D. No decision was given as to whether or not such discount could be assessable under Case VI of Schedule D.

2. *In the case of a Treasury Bill not held until maturity, may an assessment be made in respect of such part of the profit as is due to*

SCHEDULE D—(*contd.*)

variations in financial conditions during the period of currency and which is not merely due to the automatic increased value of the Bill through the passage of time ?

This point was decided in the affirmative, the House of Lords being of the opinion that the amount of discount earned would naturally take into account all variations due to changing financial conditions.

3. *How should the rules of Case III (requiring assessment on the amount arising in the preceding year) be interpreted in the year in which the individual or concern ceased to have income from such a source ?*

The facts may be assumed as follows—In the first fiscal year the individual concerned is in receipt of income from discounting transactions. In the second year he again has income of this nature. But towards the end of the second fiscal year he has disposed of the Bills he held, and therefore in the third fiscal year he has no income from such a source. In circumstances such as these, it is decided that no assessment may be made in the first fiscal year, because there was no income in the preceding year. In the second fiscal year an assessment may be made equal to the income arising from discounts in the first fiscal year. In the third fiscal year no income arises and there is no assessable subject, from which it follows that no assessment may be made, even though there was income in the preceding year. It will be seen that income has arisen in two fiscal years, but assessment has been made in one fiscal year only. The anomaly was admitted, and has been removed by the *F.A.*, 1922, *s.* 17 (page 440.)

The computation of duty in respect of any trade, manufacture, adventure, or concern, or any profession carried on by two or more persons jointly, is made jointly and in one sum, separate and distinct from any other duty chargeable on the same persons. A return is required from the partner first named in the deed of partnership or, where there is none, from the partner named singly or with precedence in the usual name of the firm, unless he does not act, when the duty falls to the precedent acting partner resident in the United Kingdom. The return must be made on behalf of all the partners, and must show their names and addresses. Where no partner is

SCHEDULE D—(*contd.*)

resident in the United Kingdom, the return should be made by the agent, manager, or factor resident in the United Kingdom, but the assessment should be made on the partnership. The commissioners may require particulars from all partners as from the precedent acting partner. (See under FIRMS' ACCOUNTS and FIRMS' RETURNS for examples.)

Profits are assessable on the averages referred to notwithstanding any change in partnership (either by death or dissolution of partnership as to all or any of the partners, or by admitting any other partner), or the succession of another person to the concern before the time of making the assessment, or within the period for which the assessment ought to be made, unless the partners or the person succeeding prove to the commissioners' satisfaction that the profits have fallen short, or will fall short, from some specific cause since the change or succession took place, or by reason thereof. (See under PARTNERS; SPECIFIC CAUSE; SUCCESSION.)

SCHEDULE E.

Income tax has, since 1842, been chargeable under Schedule E in respect of every public office of employment or profit, and the Schedule included offices under the Crown, under any public corporation, or under any company or society whether corporate or not corporate. (*I.T.A.*, 1918, *Schedule E.*) Since the passage of the Companies Acts, the Schedule has until recently been considered to extend to officials of limited liability companies, a fact which caused a differentiation between such officials and employees of persons and firms, inasmuch as the average system of assessment did not extend to salaries assessable under Schedule E. Extracts may be given from two judgments confirming the applicability of the rules of Schedule E to the officials last mentioned. The first had to do with a person employed as bank agent by the Bank of Scotland. "I agree that income arising from an employment as a bank agent is assessable under Schedule E in all cases where the bank which employs him is a company or society whether corporate or not corporate." (Lord Watson in *Tennant* v. *Smith*, 1892.) The second concerned the assessability of an employee

SCHEDULE E—(*contd.*)

of the African Association, Ltd., who served the company in West Africa. The question was as to the application of a particular section of Schedule E, and will be stated below, but the judge expressed a general opinion as follows: "Servants of companies exercising their employment within Great Britain would, I think, come within the section." (Horridge, J., in *Pickles* v. *Foster*, 1912.) There was one case, however, which limited the extent of Schedule E. It was decided that wage-earners such as engine-drivers, porters, and labourers did not hold an office or employment of profit, and were not within Schedule E. (*Attorney-General* v. *Lancashire and Yorkshire Railway Co.*, 1864.)

In 1922 the House of Lords, in *Great Western Railway* v. *Bater*, overturned the practice of many years. It decided that a particular clerk employed by the Railway Co. was not within Schedule E, and it signified clearly that the existing view of the scope of Schedule E was entirely wrong. This decision prompted Parliament to deal with all employments, and the new law (stated under EMPLOYEES) requires *all employees whatsoever* to be dealt with according to the rules of Schedule E.

Liability extends to "all salaries, fees, wages, perquisites, or profit which accrue by reason of office." It has been held that this description includes Easter offerings made to a clergyman by his congregation, and other voluntary subscriptions and grants given because of the office held by the recipient. In *Cowan* v. *Seymour* (1919), it was held that no assessment should be made in respect of a gift of £586 voted to the liquidator of a company, by the shareholders, at the termination of his office. The recipient had contended (*a*) that he did not hold an office of employment within the meaning of Schedule E.; (*b*) that the gift was a purely voluntary one; (*c*) that his duties had terminated before the gift was made, and (*d*) that the payment at the most was a payment of capital by way of retiring bonus. The Court considered the matter to be very near the line of liability, and the case was not considered to be adequately stated by the Commissioners. The District Commissioners had been of opinion that the recipient was the holder of an office or employment of profit under Schedule E, and they confirmed the assessment. Mr. Justice Rowlatt, in the High Court,

SCHEDULE E—(*contd.*)

declined to disturb the finding of the Commissioners. In the Court of Appeal, however, the Master of the Rolls considered the payment to be, not a profit of any office, but a testimonial for past services. The assessment was therefore to be discharged. It is clear, however, that the Court considered that in such cases it is the duty of the Local Commissioners to determine, as a fact, whether or not the payment is made in respect of office or otherwise.

(See also under BONUSES ; CLERGYMEN ; PERQUISITES ; LUMP SUM.)

Assessments are in force for one whole year, and may be levied for that year without a new assessment being made, notwithstanding any change during the year. If a person dies, his executors are liable for arrears of duty. If the annuity, pension, or stipend ceases within the year, a portion of the assessment may be discharged. When any person becomes entitled to any additional salary, fees, or emoluments, beyond the amount of his liability at the commencement of the year, he is chargeable for the same by additional assessment. (*I.T.A.*, 1918, *Schedule E, Rule* 5.) This raises the question of assessment on average, for if an assessment is to be made up to the amount received as ascertained at the end of the year, it is obvious that no average can be allowed.

The enactment just referred to must be read with other provisions of the acts, but there is no other direct reference as to the basis of assessment under Schedule E except as regards perquisites. The latter are deemed to be " such profits of offices and employments as arise from fees or other emoluments and are payable either by the Crown or the subject " (see under PERQUISITES as to what this includes), and may be estimated either on the profits of the preceding year, or on the average profits of the three preceding years. (*I.T.A.*, 1918, *Schedule E, Rule* 4.) Salaries, fees, wages, or profits are also included in Schedule E, and as they are not referred to here, they must be left to the operation of the provision requiring assessments on salaries, fees, and emoluments to be brought up to the amount payable for the year. Fluctuating emoluments are in future to be assessed on the amount of the preceding year—not by legal enactment but as a convenient matter of practice.

SCHEDULE E—(*contd.*)

Deductions may be made of such duties or other sums chargeable on the office by Act of Parliament as are really and *bonâ fide* paid and borne by the person charged. Also there may be deducted all official deductions and payments made from the salaries, fees, wages, perquisites, profits, or pensions, if a due account thereof is rendered to the satisfaction of the commissioners. (These provisions have reference principally to government servants, but see under SUPERANNUATION.) In assessing duty in respect of any public office or employment, where the person exercising the same is necessarily obliged to incur and defray out of the salary, fees, or emoluments, the expenses of travelling in performance of the duties thereof, or of keeping and maintaining a horse to enable him to perform the same, or otherwise to lay out and expend money wholly, exclusively, and necessarily in performance of his office or employment, it is lawful for him to deduct from the amount of the salary to be assessed, the amount of all such expenses and disbursements necessarily incurred and defrayed. (See also under CLERGYMEN.) Allowance has been refused in respect of the wages of a domestic servant employed in the home of a national school mistress. *Bowers* v. *Harding*, 1891.) Expenses incurred by directors of a public company and by a clerk to justices, in travelling from their residences to their places of business, were not admitted as deductions. (See under TRAVELLING EXPENSES.) Payments made by a clergyman to a substitute have also been disallowed. (See under SUBSTITUTE.)

The duties are assessed in the place where the offices are executed, and persons assessed for offices are deemed to have exercised them at the head office of the department under which they are held, although the duties are performed or the profits are payable elsewhere, within or out of the United Kingdom. The last-mentioned provision has been held to apply only to a department of the government service, and not to the case of a manager employed abroad by a trading company. (*Pickles* v. *Foster*, 1912.)

See under ASSESSMENTS and APPEALS for general rules on these subjects; also under DIRECTORS; EMPLOYEES; MANAGERS; SECRETARIES.

SCHOOLS.

See under PUBLIC SCHOOL as regards exemptions from income tax (Schedule A) and house duty. In assessing profits under Schedule D, no charge should be made for new or improved fixtures, but the cost of repairs and renewals may be deducted, and any other expense incurred in maintaining the fixtures at the same capital value. The depreciation allowance does not strictly extend to the wear and tear of forms, desks, etc., but see under FIXTURES.

SCIENTIFIC INSTITUTIONS.

A scientific institution is entitled to exemption from income tax under Schedule A (property tax), in respect of any building which is the property of such institution and is used solely for its own purposes. No payment may be demanded or made for any instruction afforded there by lectures or otherwise, nor may the building be occupied by any officer or person paying rent for the same. (*I.T.A.*, 1918, *Schedule A, No. VI, Rule* 1 (*e*).)

The following cases have been decided with reference to corporation duty, from which an exemption may be claimed similar to that allowed from income tax as stated above. In *Society of Writers to H.M. Signet* v. *Commissioners of Inland Revenue* (1886), a claim to exemption as a scientific institution was refused on the ground that the Act requires the property in question to be in the main, and as the chief object, devoted to the promotion of education, literature, science or the fine arts. The institution referred to was held to exist in order to assist its members to make pecuniary gain by the exercise of their profession. In *Commissioners of Inland Revenue* v. *Forrest* (1890), exemption was allowed to the Institution of Civil Engineers on the ground that its primary object was the promotion of science in the abstract, the advancement of the professional interests of members being secondary to this main object. In *Royal College of Surgeons of England* v. *Commissioners of Inland Revenue* (1899), the college was held to have two main objects—(1) the promotion of science, (2) the encouragement of surgery, including the interests of surgeons and the examination of students. As there was no obligation to apply the property in question to the first object, the claim was refused. In *Sulley* v. *Royal College of Surgeons, Edinburgh* (1892), exemption was refused as the primary

SCIENTIFIC INSTITUTIONS—(*contd.*)

and proximate objects of the college were professional, and if it furthered research it was only incidentally.

In *Farmer* v. *Juridical Society of Edinburgh* (1914), it was held that the Society was not entitled to the exemption accorded by Schedule A, No. VI, being mainly a professional institution and only incidentally an institution for the promotion of science and literature. The following dicta show the grounds on which such cases are decided: The Lord President: "No doubt to some extent the science of law is advanced and the pursuit of general literature is encouraged by the Juridical Society; but when one proceeds further and finds that membership of the Society is denied to every student of pure law—law for its own sake—and when every lover of literature and science, unless he be an Advocate or a Writer to the Signet, or one intending to become either the one or the other, finds its doors closed against him, as he will by the fourth by-law, then it seems to me out of the question to predicate for such a society either that it is designed to achieve the objects which it sets out or that it can in any sense be called a literary or scientific society. . . . It seems to me that reading the whole of the Articles in this Special Case, which set out the objects and purposes of the Society and the mode by which it achieves its aim, you reach the conclusion which is admirably expressed in the first of the contentions for the Surveyor of Taxes here, that it is a professional society formed to facilitate intercourse 'among its members, to provide a library for them, and to assist them in legal studies.'" Lord Mackenzie: "If the membership had been open to all the world, and if it consisted of persons who, out of purely altruistic motives, had desired to study law as a pure science, that might have had some effect upon our decision; but as the matter stands, we are informed that the membership is strictly limited to members of the Faculty of Advocates, Writers to the Signet, and gentlemen who make a statement that they intend to become members of the one or the other profession." Lord Skerrington: "I agree with your lordships. . . . I think it right to say, however, that I do not quite agree with your Lordship in the Chair in attaching so much importance, as your Lordship does, to the exclusive

SCIENTIFIC INSTITUTIONS—(*contd.*)

character of the membership of this Society, because I agree with Lord Mackenzie that in theory there is no reason whatsoever why a small fraction of the legal professional men of a comparatively small country like Scotland should not band together for the laudable purpose expressed in Law I of the Rules and Laws of the Juridical Society, namely, the advancement of the science of law and the pursuit of general literature. . . . For my own part, I am disposed to think that if the Society should at some future time live up to the high ideal expressed on its first rule, it will be able to come back to us, and upon a different state of facts obtain a decision to the opposite effect from that which we are about to pronounce."

The exemption is required to be claimed before the local commissioners of income tax. (See also under CHARITIES as regards the repayment of tax deducted from certain sources of income accruing to charitable trusts. See also under LITERARY INSTITUTIONS.)

SCOTLAND—SCHEDULE A, DEDUCTION OF TAX.

In consequence of the frequent Scotch practice of rents, interest and other payments in respect of property being made for the period ended 15th May, it is enacted that the deduction of tax therefrom shall be at the same rate as if the period ended on the previous 5th April. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 4.)

SCRIP, INTEREST PAID IN.

Interest paid in scrip is assessable according to the value of the scrip. In cases of difficulty it may be necessary to adopt the course indicated under OPTIONS.

SEAMEN.

See under MARINERS; MERCHANT SEAMEN.

SEASON TICKET.

See under TRAVELLING EXPENSES.

SEA-WALLS.

See under EMBANKMENTS.

SECRETARIES.

The secretary of a company is made personally responsible for the performance of certain duties in relation to income tax, principally in the way of making returns. When it was enacted that bodies, companies, societies, etc., should be chargeable with duties as any person is chargeable, the officer acting as treasurer, auditor or receiver was required to do all acts requisite for the assessing and paying of the duties. (*I.T.A.*, 1918, *s.* 106.) Such officer was specifically required to prepare a statement of profit (*s.* 54). Later the officers referred to were made answerable for doing all acts as were required to be done " in order to the assessing " of the officers and persons in the employment of the company, society, etc. (*I.T.A.*, 1918, *s.* 106 (1).) Since 1907 the duties imposed on officers as set forth above have been required, in the case of a company, to be performed by the secretary of the company, or other officer (by whatever name called) performing the duties of secretary. (*I.T.A.*, 1918, *s.* 106 (1).)

The returns required are twofold. The secretary must make a return of the company's profits, and the sending in of accounts does not relieve him of this duty. The same rules apply to a company as to an individual in this respect. A public notice is issued (usually in April or May), and may be seen on church doors or market houses. A particular notice is also issued to each person and company, but the public announcement is deemed to be sufficient notice of liability to make a return. (*I.T.A.*, 1918, *s.* 98 *and* 99.) It requires all liable persons and bodies to send in their returns within the time limited therein (usually twenty-one days). If a correct return is not made within that period a penalty may be imposed. (See under PENALTIES.)

The second return relates to employees. Each employer was formerly required to send in a list of his liable employees. (*I.T.A.*, 1842, *s.* 50.) Now, however, every employer, when so required by notice from an assessor, is required within the time limited thereon (usually twenty-one days), to prepare and deliver to that official a return of the names and places of residence of persons employed by him. All employees must be included except those who fulfil two conditions, *i.e.* who are not employed in any other employment *and* whose remuneration for the year does not exceed £150.

SECRETARIES—(*contd.*)

It should be noted that the conditions are concurrent and not alternative. The list must also show what payments are made to each person included thereon in respect of the employment in question. (*I.T.A.*, 1918, *s.* 105.) Manual weekly wage-earners are excluded from this form—see under QUARTERLY ASSESSMENTS. Where the employer is a body of persons (including a company), the secretary of the body, or other officer (by whatever name called) performing the duties of secretary, is deemed to be the employer for the purpose of making this return; any director of the company or other person engaged in the management thereof is deemed to be a person employed. (*I.T.A.*, 1918, *ss.* 100, 106.) As the secretary is deemed to be the employer, it is evident that he is personally liable to the penalty which may be imposed in case of failure to make a correct return. (See under PENALTIES.)

In practice then, the secretary's duties are to make a return of profits on Form 1 (a specimen return is given in Chapter X), and to give particulars of employees on Form 46. The latter provides columns for the name, address, and position of each employee, and for particulars of his anticipated remuneration during the current year, and any extra fees, bonuses, etc., in the preceding year. The year in question runs from and to 5th April, and there is no provision entitling the secretary to select any other date. In ordinary circumstances, however, the authorities make no objection to the return being made to 31st March unless a considerable amount is involved. A secretary sometimes experiences difficulty in making the return, in that he fears he may omit an employee who should be included. He knows that the only employees who may be ignored are those whom he has grounds for believing will receive no more than £150 in the current financial year, and who have no other employment. Where he has no knowledge with regard to the second matter he may remember (*a*) that if he takes reasonable care in preparing the return no difficulty can arise which may not be remedied, and (*b*) that it is easy to err on the right side by including any case concerning which he has doubts.

Bonuses, gratuities, and all other payments should be returned. Secretaries usually arrange with the inspector of taxes to adopt one of two plans: (1) to include the previous year's extra payments in

SECRETARIES—(*contd.*)

the extreme right-hand column of the form, or (2) to leave that column blank and to make a supplementary return on application at the end of the year. In many cases a return of increments is also asked for at the end of the year.

As regards returns for manual weekly wage-earners, see under QUARTERLY ASSESSMENTS.

Other matters of interest to secretaries will be found under COMPANIES; DIRECTORS; DIVIDENDS; FOREIGN (as regards companies trading abroad, etc.), and under SCHEDULE E. (See also under PRIVATE SECRETARIES.)

SECURITIES.

See under FOREIGN SECURITIES, WAR SECURITIES and INVESTMENTS.

SERVANTS.

The expense of keeping a servant may only be charged against profits when such servant is engaged in the business whose profits are assessed. A woman teacher was not allowed to set against her salary the wages of a domestic servant employed by her to perform the home duties which her employment prevented her from attending to herself. (*Bowers* v. *Harding*, 1891.)

See also under BOARD.

SEWERS.

The *F.A.*, 1921, *s.* 34 provides that income tax shall not be charged in respect of a sewer vested in a local authority in the United Kingdom, provided that the exemption shall not extend to any rent payable or other annual payment to be made by the local authority in respect of the sewer. For the purpose of this provision the expression "sewer" means a sewer maintained by a local authority in pursuance of their statutory duties in relation to the public health; the expression "local authority" means a public body having power under any enactment relating to the public health to construct and maintain sewers.

It had previously been held that income tax is payable on the full annual value under Schedule A, No. I, of a sewer in respect of which

SEWERS—(*contd.*)

rates are payable. Certain rents formed the sole income in respect of a sewer, and the balance of the expenditure was met out of the rates. It was held that the sewer was capable of occupation in the legal sense, and that Schedule A, No. III, did not therefore apply. (See under SCHEDULE A as regards No. I and No. III.) (*Ystradyfodwg and Pontypridd Main Sewerage Board* v. *Bensted*, 1907.)

SHAFTS.

See under MINES.

SHAREHOLDERS.

See under DIVIDENDS A shareholder has no duties, as such, with regard to income tax. The company is assessable and the necessary acts are required to be performed by the secretary. (See also under FOREIGN SHAREHOLDERS.)

SHARES, LOSS ON.

In *Stott* v. *Hoddinott* (1916), in order to secure contracts, an architect subscribed for shares in the companies concerned. It was held that losses on the realization of such shares might not be deducted from the receipts of his business, but that they should be regarded as losses of capital. Atkin, J. : " No doubt it was necessary for him to make such an investment if he was to secure the contracts. But that would not, in my view, prevent the investments from being investments." The Judge decided that the District Commissioners (who held that the losses were losses of capital) " had ample evidence before them upon which they could find that these losses were losses upon capital."

SHARES, PROFIT TAKEN IN.

See under PAPER PROFITS.

SHIPBUILDING.

In *Ounsworth* v. *Vickers, Ltd.* (1915), the shipbuilding company concerned incurred expenses in deepening a channel for purposes of navigation. If it had not done so a particular ship they were building could not be delivered. The expense was held to be a

SHIPBUILDING—(*contd.*)

capital one. No deduction was allowed in reference thereto in computing the company's liability under Schedule D.

Rowlatt, J.: "Assuming that dredging a channel is income expenditure if you keep on dredging it continuously every year, it is none the less income expenditure because the dredging was not done for a year or two, because it was not worth while to do so and was only done when matters become serious enough, say, in three years. That does not prevent it being income expenditure, because the mischief has been growing all the time, and theoretically you ought to have been keeping it down contemporaneously with its growth. . . . It seems to me that it must be always a question of fact, whether any particular expenditure can be put against any particular work, or whether it is to be regarded as enduring expenditure to serve the business as a whole. The putting up of valuable machinery because you have got a particular big job on hand might very well be done, because you were enlarging your resources for the purpose of dealing with that job and other similar jobs which you hoped would follow, in order to enable you to deal with a business of greater scope. . . . I think the true view of the facts of this case is, that this expenditure was incurred in making what was in effect a new means of access from their works to the sea, and therefore it was not an income expenditure, and is not deductible."

SHIPPING.

A ship is considered plant and machinery in respect of which a depreciation allowance may be claimed. (See under DEPRECIATION.) Several cases have been decided as to various correct and incorrect methods of estimating the allowance due. In *Burnley Steamship Co.* v. *Aikin* (1894), it was held that no loss in value of a ship by reason of its becoming obsolete may be regarded. In *Leith, Hull, and Hamburg Steam Packet Co.* v. *Musgrave* (1899), the Court ruled that the commissioners may not restrict the allowance by any reference to interest which the sum allowed would produce, if invested during the lives of the ships concerned. In *Cunard Steamship Co.* v. *Coulson* (1899), it was held that the commissioners were not wrong in basing the allowance on the wear and

SHIPPING—(*contd.*)

tear occurring during the year of assessment. (This is the usual method.) In *Scottish Shire Line, Ltd.* v. *Lethem* (1912), it was held that arrears of a depreciation allowance continued to be attached to ships which came into new proprietorship, where the new owners were assessed as successors to their predecessor's business. This case is also referred to under DEPRECIATION, and certain general rules are stated under that heading which refer to both sailing ships and steamships.

Any loss incurred on the sale of a ship is regarded as a loss of capital, and may not be set against the profits of a shipping concern. Similarly, any profit so arising is regarded as an increase of capital and is not assessable. Where a vessel is scrapped as obsolete, an allowance may be claimed as stated under OBSOLESCENCE. If a ship is lost, sums received under a policy should not be added to the profits, but neither should any capital loss incurred in this way be charged as a trade loss. Premiums paid to underwriters are allowed to be charged, but a shipping concern which sets aside money to provide an insurance fund or reserve may not deduct such sums from its profits ; but it may charge as a trade expense any sums taken out of that insurance fund or reserve to meet an actual loss ; the amount allowed not to exceed the value as written down for income tax purposes.

A shipping company whose meetings are held at its registered office abroad, and whose managers reside abroad, was held not to be resident in the United Kingdom, and therefore, not assessable on its entire profits. But as the chartering and certain voyage receipts were dealt with by a Glasgow firm, who retained the funds for payment of expenses and dividends in this country, it was held that the company exercised a trade here, and that the Glasgow agents were assessable in respect of profits accruing therefrom. (*Wingate* v. *Webber*, 1897.) Similar cases regarding concerns of a different nature will be found on reference to the heading FOREIGN.

Where a tramp steamship was sold without the transfer of books or customers, it was held that the assessment on the new owners should not be based on an average to include any part of the trading of the previous owners. (*Watson Bros.* v. *Lothian*, 1902.) (See under SUCCESSION for the rules on this matter.)

SHIPPING—(*contd.*)

A company which owned one ship, acquired fifty-nine sixty-fourths of a second ship, whose accounts and management it took over. It was held that the second ship was a separate concern, carried on by a partnership of the company, and the owners of the remaining five sixty-fourths. Its profits were, therefore, assessed in one sum on such partnership, and the profits of the company's old ship continued to be assessed separately. (*Farrell* v. *Sunderland Steamship Co., Ltd.*, 1903.) The law as to the assessment of a partnership is stated under PARTNERS.

See under AVERAGE as regards assessment in the early months of a shipping company.

SHOOTING RIGHTS.

See under SPORTING RIGHTS.

SICK CLUBS.

See under CLUBS.

SINKING FUNDS.

It is a rule of income tax that when once profits arise they are assessable in full, irrespective of their application. This has been decided in numerous cases of which two may be mentioned. In *Blake* v. *Imperial Railway* (1884), the company received an annuity which was liable to assessment, but set aside a portion of it to pay off its debentures. The annuity was assessed in full. In *Harris* v. *Corporation of Irvine* (1900), the corporation realized a surplus on the sale of water to neighbouring authorities, but applied part of it to a sinking fund. After ruling that the surplus was profit assessable to income tax, the Lord President said : " If the surplus is in the nature of profits it cannot be deprived of that character by being dedicated and applied to a particular purpose." There are also other cases to the same effect of which *City of Dublin Steam Packet Co.* v. *O'Brien* (1912) is a recent example.

Additions to a sinking fund cannot be regarded as trade expenses chargeable before the balance of profit is arrived at, for the reason that the only object of such a fund is to reduce a capital charge. No capital charge is admissible as a trade expense. (*I.T.A.*, 1918, *Schedule D, I and II, Rule* 3.)

SLATE CLUBS.

See under CLUBS.

SLEEPING PARTNER.

A sleeping partner is not entitled to earned income relief in respect of his share of the partnership profits, but he may claim such of the allowances from assessable income as are applicable to investment income. (See under PARTNERS for general rules as to partnerships.)

A person who is resident in the United Kingdom and is a sleeping partner in a foreign or colonial firm, is assessable only on such profits as he receives in this country. (*I.T.A.*, 1918, *Schedule D; Colquhoun* v. *Brooks*, 1889.)

SMALL HOLDINGS.

A small holding of land, held under the Small Holdings Act, is chargeable as any other holding of land (see under LANDS), subject to the holder being exempted from tax on such part of his income as is covered by the personal allowances. (See under EXEMPTIONS.)

SOCIETIES.

See under CLUBS; also under COMPANIES.

SOLICITOR AT APPEALS.

See under ACCOUNTANTS; BARRISTERS AND SOLICITORS AT APPEALS.

SPECIAL COMMISSIONERS.

The special commissioners are salaried officials appointed by the Treasury. Their office forms a branch of Somerset House, London, but their functions extend over the United Kingdom. All assessments in Ireland are made by them, as are all assessments on railways and railway officials in Great Britain. Any person who is chargeable under Schedule D may require all proceedings in relation to his assessment to be before the special commissioners, instead of the local general commissioners. In this case he should make his return to the local assessor within the time prescribed on the form served on him, but may seal it and endorse the envelope "for special assessment." If it is desired, the inspector of taxes will accept the return direct. All special assessments are made through

SPECIAL COMMISSIONERS—(*contd.*)

the last mentioned official. Duty charged thereby is payable, on demand, to the collector of customs and excise (a permanent Crown servant) and not to the local collector of taxes. If payment is delayed unduly, however, the local collector may be authorized to collect or distrain, or legal proceedings may be taken. (*I.T.A.*, 1918, *s.* 123 *and s.* 154.)

Appeal may be made from the special commissioners to the commissioners of inland revenue, or a case for the High Court may be demanded on a point of law. (See under HIGH COURT APPEALS.)

Any person assessed under Schedule D by the local general commissioners may appeal to the special commissioners, whose decision shall be final, save for an appeal to the High Court on a point of law. (*I.T.A.*, 1918, *ss.* 147, 148.) Appeals are also allowed to the Special Commissioners from any assessment in respect of a mine or quarry. (*I.T.A.*, 1918, *s.* 148.)

See also under SUPER-TAX.

In *The King* v. *The Special Commissioners of Income Tax* (Ex parte Dr. Barnardo's Homes, High Court, 1919) the Court had made absolute a rule *nisi* for a *mandamus* to the Special Commissioners of Income Tax. It was held that the Special Commissioners were liable to pay costs notwithstanding that costs would not be given against the Crown in such a case. Darling, J.—"The Commissioners are not great officers of State, but are . . . officials entrusted with the performance of a statutory duty."

It is the universal experience that the Special Commissioners exercise their judicial functions quite independently of official influence. On points of law they are preferred before most bodies of local commissioners.

SPECIFIC CAUSE OF LOSS.

This subject is dealt with in Chapter IV. It may be noted here, however, that it has been held that an "unusual, exceptional and extraordinary depression of trade" may be regarded as a specific cause of loss. (*Ryhope Coal Co.* v. *Foyer*, 1881.) Where a change in proprietorship is followed by the removal of the business to other premises or by the opening of a rival shop, etc., these circumstances may be advanced as specific causes of loss if the facts

SPECIFIC CAUSE OF LOSS—(*contd.*)

support such a contention. These specific causes would, of course, be said to arise *since* the change in ownership. A specific cause might arise *by reason* of the change where the withdrawing of a retiring partner's personal influence was greatly felt (particularly in professions such as a doctor's, lawyer's, etc.), or where the new proprietor was handicapped by having less capital than his predecessor, etc. The matter is one of fact and each case must be judged on its merits.

See Chapter IV for examples of adjustments made under this section.

The *F.A.*, 1921, *s.* 26, provided that from 1920/21 onwards, relief in respect of a specific cause of loss shall not be given where the person charged to tax has continued to carry on the business, etc., throughout the year of assessment.

The combined effect of the Income Tax Act, 1918, Schedule D, Miscellaneous Rule No. 3 (1) and of the Finance Act, 1921, *s.* 26, is that relief may be given in respect of a specific cause of loss only where the person concerned has closed the business, or has transferred it on sale or otherwise to some other person, or where there has been a change in the partnership owning the business.

In *Furtado* v. *The City of London Brewery Company, Ltd.* (1913), application was made to the General Commissioners to state a case to the High Court in regard to an application for relief under Section 134 of the Income Tax Act, 1842 (now incorporated in Miscellaneous Rule 3 of the Income Tax Act, 1918). It was held that the application under the section in question was not an appeal to which power to state a case applied.

In Yuanmi Goldfields, Ltd. v. *Eborall,* The company claimed the adjustment of an assessment, based on the average profits for the preceding years, under the section (Income Tax Act, 1918, *s.* 48) giving relief in respect of diminution of profits due to the war. It was contended that the diminution of profits was only partly due to the war, and it was held that the relief should be restricted so as to have reference only to such part of the diminution as was due to the war. This decision may possibly throw light on the relief due in respect of a specific cause of loss.

SPINSTER.

A single woman is assessable under the same rules as a man in every respect. (See under HUSBAND AND WIFE as to a claim to allowance or deduction by a woman for a year during which she is married.)

SPORTING RIGHTS.

See under SCHEDULE B as to the inclusion of the annual value of sporting rights in an assessment. (See also under FISHERIES.)

SPORTS CLUBS AND GROUNDS.

See under CLUBS. The particular rules applicable to Sports Clubs are stated under GOLF CLUBS, concerning which a legal ruling has been obtained.

Sporting grounds are assessable, under both Schedule A and Schedule B. Pavilions and other buildings are assessable under Schedule A only. House duty is chargeable if any person sleeps thereon.

STAMPS, COLLECTION OF TAX BY.

The Board of Inland Revenue is authorized to arrange for this (*I.T.A.*, 1918, *s.* 160), and does so as regards quarterly assessments.

STATIONERY.

The cost of stationery is properly chargeable against profits, except where such stationery is used in connection with capital transactions. Even in the latter case it may be ignored as insignificant.

STEAMERS.

See under SHIPPING.

STOCK.

The difference between the value of a trader's stock at the beginning and the end of the period under review, should be brought into the revenue account, either as such or potentially through having had its effect on the gross profit shown by the goods account. This is, of course, a matter of correct book-keeping, but it requires

STOCK—(*contd.*)

to be noted by a trader who prepares a statement of cash receipts and payments only. An increase over the period will increase the profit otherwise shown ; a decrease will decrease such profit.

The expenses of stock-taking may be charged as a trade expense.

STOCK-BROKER AND JOBBER.

See under the succeeding heading ; also under INVESTMENTS.

STOCK EXCHANGE FEES AND SUBSCRIPTIONS.

The entrance fee required to be paid by members of the Stock Exchange may not be charged as a trade expense. It is a capital charge, as although it has to do with the general interests of the business it is not incurred in the course of trading. The annual subscription is regarded as a trade charge. It differs from the entrance fee in that it is an expense necessarily incurred in carrying on the business, and not an expense incurred before the business can be commenced.

STOCK EXCHANGE, INTEREST TO MEMBERS OF.

See under INTEREST TO DISCOUNT HOUSES, etc.

STUD PROFITS.

See under RACING PROFITS.

SUBSCRIPTIONS.

A subscription may be charged as a trade expense only if it is "money wholly or exclusively laid out or expended for the purposes" of the trade, etc., assessed. Charitable subscriptions may not be so charged, even although they are given to maintain the prestige of the business. Such general outlays have more than once been held not to be admissible as deductions from the profits of a particular year. Where a specific subscription can be shown to have been given as a practically necessary adjunct to a particular piece of business, it should be allowed. Thus a caterer who subscribes towards a sports club as an understood return for certain privileges accorded to his trade, may charge that subscription against his profits. Similarly, an employer's subscription towards a hospital

SUBSCRIPTIONS—(*contd.*)

so that his employees may benefit thereby may be regarded as a trade expense.

See also under TRADE ASSOCIATIONS; also under CLUBS.

SUBSTITUTE.

The expense incurred by a medical officer, a clergyman or minister, a schoolmaster, a clerk to magistrates or other body, or any other person in obtaining a *substitute*, may not be deducted from the emoluments of such person for the purposes of his income tax assessment. This rule was laid down in *Lothian* v. *Macrae*, 1884, when it was held that voluntary contributions made by a minister towards the stipend of the assistant minister may not be deducted from the assessment on the minister. Only such sums may be deducted as are incurred by the person assessed "in the performance of his duty." "I do not see how these words," commented Lord Mure in the case referred to, "can be held to cover any payment made to another party for the performance of that duty."

Where a person is able to hand over certain duties to another person with the approval of the appointing authority, which authority will apportion the remuneration between the two persons performing the duties, the second person is not the substitute of the first, and the latter is not then assessable on sums received by the ormer.

A substitute is assessable on remuneration received by him, whether or not his principal has already paid tax thereon—just as a chauffeur (for example) is assessable on wages paid out of the taxed income of his employer.

See under DEPUTY.

SUCCESSION TO A BUSINESS.

It is provided that if, among any persons engaged in trade, etc., in partnership together, any change shall take place in such partnership, either by death, by dissolution of partnership as to all or any of the partners, or by admitting a new partner, the assessment on the firm shall still be computed on the average of past profits. (See Chapter III for the rules of the average system.)

SUCCESSION TO A BUSINESS—(*contd.*)

It is also provided that if any person shall succeed to any business, he shall be assessed on the average of past profits as if the previous owner were still in possession. (*I.T.A.*, 1918, *Schedule D, Cases I and II, Rule* 11.)

The rule is, therefore, that income tax assessments have regard to the profits of a business, irrespective of any changes in proprietorship. (There is one exception, which is described under SPECIFIC CAUSE OF LOSS.) But the question often arises whether it is the same business which has been carried on by the old and the new owners. In the case of a grocer's shop, for instance, there can be no doubt that the same business continues in spite of a change of owners. If, however, a ship changes hands it is not so certain that the same business continues. The new owner may take over a trading connection with the ship, but on the other hand, he may use it for purposes quite different from those it had formerly been put to. In another case, also, a doubt may arise. When an old-established business absorbs another smaller business, the former may continue the latter in addition to its own, or it may practically end the latter owing to its new methods appealing to a different class of trade. It is certainly unlikely to end the business in question, but the matter remains one of fact, to be dealt with according to the particular circumstances of the case. Certain legal decisions will be noted, and then the general rules which control the subject will be stated.

Where a "tramp" steamship was sold without the transfer of books or customers, it was held that the new owners had not succeeded to the old business, but had commenced a new business of their own. A judge said: "There is no succession to any trade. There is simply the purchase of a corporeal moveable subject, which may or may not carry on the same business." (*Watson Brothers* v. *Lothian*, 1902.) A bank with 199 branches took over the business premises and staff of a single-branch bank. It contended that the existence of its own business should prevent it from being held that it took up and continued to carry on the business of the bank it had purchased. Thus it was argued that a business could not be succeeded to if it were absorbed, but the contention was rejected. "In the case of a new company, formed for the first time and acquiring

SUCCESSION TO A BUSINESS—(*contd.*)

the Stafford Bank, that would clearly be a case of a person succeeding. What difference does it make that the person who succeeds to the concern should himself already have an existing business ? " (Judge in *Bell* v. *National Provincial Bank of England, Ltd.*, 1904.) Where a private concern was converted into a limited liability company, it was held that the same business had been succeeded to. " It is a new association carrying on an old trade." (Judge in *Ryhope Coal Co.* v. *Foyer*, 1881.) A company took over a certain distillery and worked it in connection with other business elsewhere. The local commissioners considered the particular circumstances of the case, and held that there was not a sufficient identity between the business formerly carried on and the new business, for the company to be regarded as having succeeded to the former. The higher Court declined to intervene, holding that the question was purely one of fact on which the local commissioners' decision was final. (*Alexander Ferguson and Co., Limited* v. *Aikin*, 1898.)

The general results are as follows—

(*a*) *The question is first and foremost one of fact, as to whether there is an identity between the business carried on before and after the change in proprietorship ;* it might be considered whether the new owner does substantially the same as his predecessor would have done had he continued in the business ; the question as to relative profits might be some indication, but is not conclusive ; other material factors are the general identity of the body of customers or clients, the similarity of the goods sold or services rendered, and the handing over of premises and books ;

(*b*) *If there is an identity between the business, the exact nature of the change in proprietorship is immaterial ;* a succession may exist in any of the following circumstances : One or more partners leave the firm ; one or more partners enter the firm ; an altogether new owner or combination of owners may appear ; a man's executors or creditors may take control ; a new partner may be added to a firm (or may replace a retiring partner) and such new partner may bring with him a business connection which is absorbed in the firm's business—in which case the firm, as newly constituted, will have succeeded to the business of the old firm and to the business of the new partner ; a firm with many branches may acquire a

SUCCESSION TO A BUSINESS—(*contd.*)

single-branch business and continue it as one of its own branches.

The following examples will illustrate the correct basis for an income tax return in such a case.

(1) T. Smith succeeds to the business formerly carried on by J. Jones. The profits are, 1916, £310; 1917, £300; 1918, £320; 1919, £360; 1920, £340; 1921, £360. The assessments should be as follows—

1919/20	average of profits for		1916, 1917, and 1918	equals	£310
1920/21	,,	,,	,,	1917, 1918, and 1919	,,	£326
1921/22	,,	,,	,,	1918, 1919, and 1920	,,	£340
1922/23	,,	,,	,,	1919, 1920, and 1921	,,	£353

These assessments will be the same at whatever date T. Smith may have taken over the business. If this occurred during any financial year, the assessment for that year will be apportioned between J. Jones and T. Smith. Thus, if the change occurred as from 1st January, 1922, J. Jones will bear three-quarters of the 1921/22 assessment (£255) and T. Smith one quarter (£85), each subject to any allowance, etc., to which he is entitled on his own income during 1921/22. In 1922/23 T. Smith's assessment will be £353 as shown.

(2) A firm of stock-brokers with partners A, B and C, was recast as from 1st January, 1921, C retiring from business and a new partner, D, entering the firm. D had previously carried on business as stock-broker on his own account. The profits have been as shown below.

1916	A, B & C	£4,000;	D		£600
1917	,,	£6,000;	,,		£1,000
1918	,,	£3,000;	,,		£400
1919	,,	£5,000;	,,		£900
1922	,,	£4,000;	,,		£1,100
1921	A, B & D	£8,000.			

The assessments should be based on the average profits of the three preceding years, and will be as follows—

1919/20	A, B & C	£4,333;	D	£666
1920/21	,,	£4,666;	,,	£766
1921/22	A, B & D	£4,000 plus £800 equals £4,800		
1922/23	,,	£6,333 (average of £5,900, £5,100, and £8,000)		

SUCCESSION TO A BUSINESS—(*contd.*)

As the change occurred three-quarters of the way through the financial year, 1920/21, for that year A, B and C must pay on three-quarters of £4,666, D must pay on three-quarters of £766, A, B and D must pay on a quarter of £4,666 and a quarter of £766.

It will be noted that C is stated to have retired. If he had continued in business after separating from A and B and had taken away his share of the connection of the firm A, B and C, then A, B and D could not have succeeded to the business of A, B and C. In this case all previous profits would be ignored as from the date of the change, and all subsequent assessments would be based on subsequent profits as for a new business. (See Chapters III and IV as regards the assessment of a new business.) Payment for the first three-quarters of 1920/21 should then be made as follows: A, B and C on three-quarters of £4,666, D on three-quarters of £766. A, B and D and C should each pay on the actual profits accruing to them during the last quarter of 1920/21. It would not be equitable to charge tax on a quarter of £766 also.

Where a business is to a large extent personal to the proprietor, (*e.g.* a solicitor) that fact may suggest that the business could not be succeeded to by a new proprietor. This is a matter for consideration under heading (*a*) above. (See under SPECIFIC CAUSE for an adjustment which may be claimed where a business has been succeeded to, but where the profits have fallen owing to the loss of the personal influence of a former proprietor.)

SUPERANNUATION.

Superannuation allowances are within the definition of "earned income" in respect of which "earned income relief" may be obtained. (See under PENSIONS.)

As regards the deductions from an assessment on salary, of the amount of any annual contribution towards a future superannuation allowance, it is provided under Schedule E that such a deduction shall be allowed in respect of "duties or other sums payable or chargeable" on the salary "by Act of Parliament, where the same have been really and *bonâ fide* paid and borne by the party to be charged." (*I.T.A.*, 1918, *Schedule E, Rule* 1.) Deductions made under an Act of Parliament from the salaries of poor law officers for

SUPERANNUATION—(*contd.*)

the purposes of superannuation were held to be within this provision, although they were returnable in certain circumstances. "It is perfectly plain from the Superannuation Act that he might never derive the very smallest benefit, ... that he might die, or that some circumstance might arise which would never entitle him to anything out of the Superannuation Fund." (Darling, J., in *Beaumont* v. *Bowers*, 1900.) Certain other deductions made from the salaries of corporation officials, also under an Act of Parliament, but which were returnable by way of allowance or lump sum with interest on death or retirement (except in cases of dismissal for dishonesty) were held not to be within the section referred to. "These sums of money never ceased to be the property of the person from whose salary or wages they were deducted. All that it is true to say, in my judgment, of these sums which have been deducted is, that the payment of them has been postponed." (Vaughan Williams, L.J., in *Bell* v. *Gribble* and *Hudson* v. *Gribble*, 1903.)

The essential difference between these cases was as follows. Where the deductions were allowed they represented *bonâ fide* charges on the salary which might never be returned to the person suffering them or his heirs. Where the deductions were not allowed they represented payments which (save in exceptional cases) would be returned in a lump sum with interest, or in the form of an allowance based on the amounts paid.

SUPERANNUATION FUNDS.

The *F.A.*, 1921, *s.* 32, granted exemption in respect of income derived from investments or deposits of a superannuation fund, and permitted sums paid by an employer or an employed person by way of contribution towards a superannuation fund to be allowed as a trade expense in computing the profits or gains for the purpose of assessment to income tax, as an expense incurred in the year in which the sum is paid. The conditions of this relief are as follows—

(1) No allowance may be made in respect of any contribution by an employed person which is not an ordinary annual contribution.

(2) Where a contribution by the employer is not an ordinary annual contribution it is required to be treated as the Commissioners of Inland Revenue may direct, either as an expense incurred in the

SUPERANNUATION FUNDS—(*contd.*)

year in which the sum is paid or as an expense to be spread over such period of years as they think proper.

(3) No allowance is to be made under this section in respect of any payments in respect of which relief can be given under the Income Tax Act, 1918, *s.* 32 (*i.e.* under the provisions granting relief in respect of life insurance policies, etc.).

(4) Income tax chargeable in respect of an annuity *paid out* of a superannuation fund to a person residing in the United Kingdom shall, if the Commissioners of Inland Revenue so direct, be assessed and charged on the annuitant under Schedule D, Case VI, instead of tax being deducted and accounted for under Rule 21 of the General Rules of the Income Tax Act, 1918, and tax shall be computed on the full amount of the annuity arising in the year of assessment.

(5) " Superannuation Fund " means, unless the context otherwise requires, a fund which is approved for those purposes by the Commissioners of Inland Revenue, and, subject as hereafter stated, the Commissioners may not approve any fund unless it is shown to their satisfaction that—

(*a*) The fund is a fund *bona fide* established under irrevocable trusts in connection with some trade or undertaking carried on in the United Kingdom by a person residing therein ;

(*b*) The fund has for its sole purpose the provision of annuities for persons employed in the trade or undertaking either on retirement at a specified age or on becoming incapacited at some earlier age ;

(*c*) The employer in the trade or undertaking is a contributor to the fund ;

(*d*) The fund is recognized by the employer and employed persons in the trade or undertaking.

(6) The Commissioners of Inland Revenue may, if they think fit, and subject to such conditions, if any, as they think proper to attach to the approval, approve a fund or any part of a fund for the purposes of this relief—

(i) notwithstanding that the rules of the fund provide for the return in certain contingencies of contributions paid to the fund ; or

SUPERANNUATION FUNDS—(*contd.*)

(ii) if the main purpose of the fund is the provision of such annuities as aforesaid, notwithstanding that such provision is not its sole purpose ; or

(iii) notwithstanding that the trade or undertaking in connection with which the fund is established is carried on only partly in the United Kingdom and by a person not residing therein.

(7) The Commissioners may make regulations generally for the purpose of carrying this section into effect and, in particular, without prejudice to the generality of the foregoing provision, may by such regulations—

(*a*) provide for the charging of and accounting for tax in respect of contributions (including interest) repaid to a contributor to a superannuation fund and on lump sums paid in commutation of or in lieu of annuities payable out of a superannuation fund as if any sums so repaid or paid were income of the year in which they are repaid or paid.

(*b*) require the trustees or other persons having the management of a superannuation fund, or an employer whose employees contribute to a superannuation fund, to deliver to the Commissioners such information and particulars as the Commissioners may reasonably require for the purposes of this section.

(8) Where a superannuation fund is approved under the above rules for 1921/22, any arrangement previously in force between the Commissioners of Inland Revenue and the persons managing the fund, as regards such fund shall cease to operate as from the 6th April, 1921. If a fund is not approved under the above provisions any previous arrangement between the Commissioners of Inland Revenue and the persons managing the fund shall cease to operate as from the 6th April, 1922:

The Commissioners have made Regulations under date the 10th November, 1921, prescribing the procedure to be observed in the carrying out of the above enactment.

SUPER-TAX.

The subject of super-tax is dealt with in Chapter XIII. For a more detailed consideration of certain matters see the following—

In *re Munster* (Chancery Division, 1919), an order was made

SUPER-TAX—(*contd.*)

vesting the estate of an enemy alien in the Public Trustee as custodian of enemy property. The question arose as to whether the Public Trustee could be required to make a return for purposes of super-tax. It was held that the property, while vested in the custodian, was only in a state of suspense until an Order in Council dealing with it was made, and that the custodian was not a person who was liable to make a return or to pay the super-tax. Super-tax was, however, a debt which would be eventually chargeable against the property and the parties should come to an agreement as to the amount which was due.

In *Wyndham* v. *Commissioners of Inland Revenue* (1920) the Appellant (Lady Wyndham) had made application for a separate assessment under the provision now incorporated in the Income Tax Act, 1918, *s.* 8. Her husband died during the year and his executors were therefore entitled to a reduction in the super-tax payable by him for that year. (*I.T.A.*, 1918, *s.* 6.) The Appellant contended that such reduction should apply also to the super-tax assessed upon herself. The Court decided in favour of the Crown. Rowlatt, J.—" She was separately assessed, in the words of the Act of Parliament as if she never had been married, to super-tax. But she was separately assessed at a rate which was the rate which was applicable to the combined incomes. That is necessary for the protection of the Crown. She has got herself assessed as if she were an unmarried woman, and now she says she does not like it, and the reason which she gives is that her husband is dead. To that the Crown say, no doubt, that they are extremely sorry, especially as it means that they have to refund some of the husband's super-tax, but they fail to see the relevance of it with regard to the lady's super-tax, and in that I agree with them. . . . . These people, though married, are for super-tax purposes divorced. They have severed their super-tax liability and each of them has taken it upon himself and herself at the rate which at the date of the division was the correct rate, and there it remains until you can point to something in an Act of Parliament which enables me to alter it ; and there is nothing."

In the case *In re Bowring ; Wimble* v. *Bowring* (1918), an annuity of £4,000 was left under a will " free of duty and of income

SUPER-TAX—(*contd.*)

tax, super-tax or any impost of this nature." Certain other annuities were left "free of all duty and of income tax." The recipient of the first-mentioned annuity had income outside the will. There was disagreement as to whether the super-tax payable by the trustees was the amount which would be due on the £4,000 if it were the recipient's sole income, or the super-tax due on the £4,000 as part of a larger income. The Court held that the residue of the estate must bear such proportion of the total super-tax payable by the recipient of the annuity as the £4,000 with income tax added thereto bore to the total amount of the recipient's assessment for super-tax purposes.

In *Samuel* v. *Commissioners of Inland Revenue* (1919), the Appellant received dividends paid "free of income tax." For super-tax purposes the Special Commissioners had taken the income from such dividends to be a sum which, when reduced by the amount of income tax chargeable thereon, would leave to the appellant the net sum actually received by him. It was held, following the *Ashton Gas Company* case, that the assessment was correctly made. A company, in paying income tax at the source, pays as agent for its shareholders.

In *Howe* v. *Special Commissioners of Inland Revenue* (1918) the facts were as follows: For the purpose of raising certain sums of money, Lord Howe, by a series of deeds, granted his life interest in certain estates and also assigned a policy of assurance effected by him on his own life to an assurance company by way of mortgage. He covenanted to pay: (1) Interest on the sums paid to him; (2) the premiums on life policies which he had taken out. In the case of the life policies, he gave a right to the company to pay the premiums if he himself neglected to do so, and to charge them upon the mortgaged property.

He contended that he was entitled to deduct from his aggregate income, for purposes of assessment to super-tax, sums paid by him both as interest on mortgages and as premiums on the life policies. The Commissioners refused to make allowance in respect of the premiums. The Judge thought they were right, but felt bound to follow a contrary decision of the Irish Courts in *Commissioners of Inland Revenue* v. *Massey* (unreported). The finding of the

SUPER-TAX—(*contd.*)

Commissioners was therefore reversed. On appeal to the Court of Appeal, however, the determination was in favour of the Crown (1) but not (2) being allowed.

In the case of *Fitzgerald* (*Hon. J. D.*) v. *Commissioners of Inland Revenue* (1919), the appellant was a barrister who was charged to super-tax on professional profits earned during part of the year previous to that of assessment. He claimed that as his practice had ceased prior to the year of assessment, no assessment could lawfully be made for that year. It was held that the contention was inadmissible. Rowlatt, J.—" In my opinion, the words of the (charging) section are quite clear. They simply impose upon the subject a tax with reference to his income of the year before. It is merely a retrospective tax on the total income of the previous year, and his position in the year of assessment, provided that he is alive, is wholly immaterial. It is true, it is called additional income tax, but I think that merely means that it is a further new impost on income and does not involve that it is additional in the case of every item in the income tax of each taxpayer for the year of assessment."

An appeal against a super-tax assessment on similar grounds was made by an American subject resident in the United Kingdom for less than six months of the year of assessment (*Crane* v. *Commissioners of Inland Revenue*, 1919). It was contended for the appellant that as he was not liable to income tax for the year of assessment, and as super-tax was an additional duty of income tax, he was not chargeable to super-tax for that year. It was held by Mr. Justice Rowlatt that since in the case of *Brooke* v. *Inland Revenue* (1918) a non-resident was deemed to be liable to super-tax by virtue of having received English income in the year before the assessment to super-tax, it followed that a non-resident was equally liable to super-tax if charged to income tax in the previous year by virtue of residence.

In the case of *Commissioners of Inland Revenue* v. *John Blott*, and *Commissioners of Inland Revenue* v. *Greenwood* (1919), there arose the question of liability of bonus shares to super-tax. In distributing its profits a company allotted to its shareholders additional shares instead of dividends, and it was contended for

SUPER-TAX—(*contd.*)

the Crown that such payments were in the nature of dividends and chargeable to tax. It was held that, as for purposes of repayment bonus shares would not be regarded as taxed income, they should not be so regarded for super-tax purposes. Rowlatt, J.—"There is no special direction for the calculation of the individual income of a corporator or shareholder. It is clear, however, that it is to be measured by his dividends. The only way that he can make the provision for exemption apply to his case is by bringing in his dividends among his 'particular sources of income' under *I.T.A.*, 1918, *s.* 27, and then, treating them as diminished by the collective tax, obtain a refund under *I.T.A.*, 1918, *s.* 29, as a person who 'has been charged and has paid 'duty' by way of deduction from any rent, annuity, interest, or other annual payment.'" . . . .

"Suppose that this bonus share distribution had taken place, as no doubt many such did take place, a dozen years ago, before the introduction of super-tax and one of the shareholders, being a person of small income, within the exemption limit, had sought to recover income tax on the amount of the face value of his bonus shares, would not the Revenue have justly objected that he had not in the language of *I.T.A.*, 1918, *s.* 29, been charged to and had not paid duty by way of deduction from any rent, annuity, interest, or other annual payment? They would have said, in my judgment unanswerably, that the company had never parted with the money, and that he had never received any payment out of which any deduction such as that he sought to recover could take effect."

In *Inland Revenue* v. *Sanderson* (High Court, 1920), the holder of the majority of shares in a company of which he was controlling director arranged to sell the shares, one of the terms being that he should distribute to himself a bonus of 10s. per share out of the balance of profit carried forward from earlier years. He contended that this bonus was not income, but a realization of capital. The Court held that the bonus was income, the position being that the company declared a dividend and the shareholder received it.

In *Stocker* v. *Inland Revenue* (High Court, 1919), two partners, by articles of partnership drawn up in accordance with a will by which they were legatees of a partnership business, put aside

SUPER-TAX—(*contd.*)

annually a certain percentage of the partnership profits to a reserve fund. This reserve was in the nature of a trust fund for the purposes of recouping any losses which might be incurred by the firm. It was held that the fund was, by the terms of the articles and will, not primarily for the benefit of the partners, and the annual percentage placed to reserve was a permissible deduction for super-tax purposes.

In *Meeking* v. *The Commissioners of Inland Revenue* (1920), the Appellant received, under a will, an annuity on which the Trustees were required to bear super-tax. It was held that the super-tax so borne by the Trustees should be regarded as the income of the recipient for the purpose of determining on what amount of income super-tax should be charged. The ground of the decision was that the super-tax paid by the Trustees was paid for the benefit of the Appellant.

Andrews v. *Commissioners of Inland Revenue* (High Court, 1920). In this the Appellant was for 1915/16 assessed to super-tax on the amount of his income during the preceding year. During the year 1915/16 the Appellant's income was below the amount at which super-tax commences to be chargeable and he contended that the assessment for 1915/16 should therefore be discharged. It was held that the assessment was correctly made by reference to the income of the preceding year. The Appellant had wrongly argued that the basis of the preceding year is required to be accepted only where liability in the current year is found to exist by reason of the current year's income being sufficiently large to make the recipient liable to super-tax.

Super-Tax on Undistributed Income of certain Companies.

The following is the text of the *F.A.* 1922, *s.* 21, referred to on page 107.

(1) With a view to preventing the avoidance of the payment of super-tax through the withholding from distribution of income of a company which would otherwise be distributed, it is hereby enacted as follows—

Where it appears to the Special Commissioners that any company to which this section applies has not, within a reasonable time after the end of any year or other period, ending on any date subsequent to the fifth day of April, nineteen hundred and twenty-two, for which accounts have been made up, distributed to its members in such manner as to render the amount distributed liable to be included in the statements to be made by the members of the company of their total income for the purposes of super-tax, a reasonable part of its actual income from all sources for the said year or other period,

SUPER-TAX—(*contd.*)

the Commissioners may, by notice in writing to the company, direct that for purposes of assessment to super-tax, the said income of the company shall, for the year or other period specified in the notice, be deemed to be the income of the members, and the amount thereof shall be apportioned among the members :

Provided that, in determining whether any company has or has not distributed a reasonable part of its income as aforesaid, the Commissioners shall have regard not only to the current requirements of the company's business but also to such other requirements as may be necessary or advisable for the maintenance and development of that business.

(2) Any super-tax chargeable under this section in respect of the amount of the income of the company apportioned to any member of the company, shall be assessed upon that member in the name of the company, and, subject as hereinafter provided, shall be payable by the company, and all the provisions of the Income Tax Acts and any regulations made thereunder relating to super-tax assessments and the collection and recovery of super-tax shall, with any necessary modification, apply to super-tax assessments and to the collection and recovery of super-tax charged under this section.

(3) A notice of charge to super-tax under this section shall in the first instance be served on the member of the company on whom the tax is assessed, and if that member does not within twenty-eight days from the date of the notice elect to pay the tax a notice of charge shall be served on the company and the tax shall thereupon become payable by the company :

Provided that nothing in this subsection shall prejudice the right to recover from the company the super-tax charged in respect of any member who has elected as aforesaid but who fails to pay the tax by the first day of January in the year of assessment or within twenty-eight days of the date on which he so elected, whichever is later.

(4) Any undistributed income which has been assessed and charged to super-tax under this section shall, when subsequently distributed, be deemed not to form part of the total income from all sources for the purposes of super-tax of any individual entitled thereto.

Where a member of a company has been assessed to and has paid super-tax otherwise than under this section in respect of any income which has also been assessed and upon which super-tax has been paid under this section, he shall, on proof to the satisfaction of the Special Commissioners of the double assessment, be entitled to repayment of so much of the super-tax so paid by him as was attributable to the inclusion in his total income from all sources of the first-mentioned income.

(5) Where super-tax is charged under this section in respect of the income of a company for any year or other period, the Commissioners of Inland Revenue shall, on a certificate from the Special Commissioners that the super-tax has been accounted for, repay to the company the amount of any corporation profits tax paid by the company in respect of the corresponding accounting period or part thereof.

(6) This section shall apply to any company—

(*a*) which has, since the fifth day of April, nineteen hundred and fourteen, been registered under the Companies Acts, 1908 to 1917 ; and

(*b*) in which the number of shareholders computed as hereinafter provided is not more than fifty ; and

(*c*) which has not issued any of its shares as a result of a public invitation to subscribe for shares ; and

(*d*) Which is under the control of not more than five persons.

For the purposes of this subsection—

In computing the number of shareholders of a company there shall be

SUPER-TAX—(*contd.*)

excluded any shareholder who is a trustee or nominee for some person otherwise owning or beneficially interested in shares in the company or who is an employee of the company, or is the wife or the unmarried infant child of a beneficial owner of shares in the company ;

A company shall be deemed to be under the control of any persons where the majority of the voting power or shares is in the hands of those persons or relatives or nominees of those persons, or where the control is by any other means whatever in the hands of those persons ;

The expression " relative " means a husband or wife, ancestor, or lineal descendant, brother, or sister ;

The expression " nominee " means a person who may be required to exercise his voting power on the directions of, or holds shares directly or indirectly on behalf of another person ;

Persons in partnership and persons interested in the estate of a deceased person or in property held on a trust shall, respectively, be deemed to be a single person.

(7) In this section the expression " member " shall include any person having a share or interest in the capital or profits or income of a company, and the expression " employee " shall not include any governing director, managing director, or director.

(8) The provisions contained in the First Schedule[1] to this Act shall have effect as to the computation of the actual income from all sources of the company, the apportionment thereof amongst members of the company, and otherwise for the purpose of carrying into effect, and in connection with, this section.

(9) The provisions of this section shall apply for the purposes of assessment to super-tax for the year 1923–24 and any succeeding year of assessment.

SUPPLY ASSOCIATION.

See under Co-operative Societies.

SURETIES.

It is difficult to imagine any case in which a trader may charge as a trade expense, a loss incurred by him in standing surety for another person. If it were part of his business to stand surety such a deduction from profits might be made, but not otherwise.

SUSPENSE ACCOUNTS.

Sums charged to a suspense account may not be deducted from profits for income tax purposes, as the acts recognize actual losses only. If a sum charged to such an account in a trader's books, but not allowed for income tax purposes, is subsequently lost, the trader should then deduct it from his profits for assessment purposes.

SYNDICATES.

One of the comparatively difficult problems of income tax liability has to do with concerns whose nature is suggested by the word

[1] Not reproduced here.

SYNDICATES—(*contd.*)

" syndicate." The usual procedure of these concerns is to acquire property or other value for a specific sum and to dispose of this property, etc., for a larger sum. The latter operation is as essential as the former and is equally the object for which the syndicate was formed. When it is accomplished the syndicate dissolves, dividing amongst its members the proceeds of the sale. The question is whether the difference between the buying and selling price of the property is assessable to income tax.

Income tax is a tax on profits, and it is shown under PROFIT that this term includes (*a*) profits of trade, etc., and (*b*) certain other profits which are computed with relation to a year or paid in instalments which last over a year. If a syndicate purchases the copyright of a book and sells it in consideration of an annual royalty, that royalty is an annual profit within the meaning of (*b*). But a syndicate does not usually operate in this way. It is formed for a specific purpose and intends to dissolve as soon as that purpose is accomplished or has failed. This being so, it is practically impossible for a syndicate to be chargeable under (*b*) and the question becomes, " Has the syndicate *traded* in the property it has bought and sold ? " The apparent answer is in the affirmative, but one must remember that an individual could not be regarded as having traded if he simply bought and sold one house or one share. Trading usually consists of a series of transactions, and anything less than this may hardly be considered as trading. In what sense, then, if any, can a syndicate's profits be assessed as the profit of trade, if its sole operation is to buy and sell a single property ?

It is quite possible for the large majority of successful syndicates to be held liable on their profits, by reason of the fact that a special criterion of trading has been adopted by the Courts with reference to such concerns. The new consideration becomes—" Did the syndicate merely fulfil the object of its existence when it bought and sold property ? " If so, it must be regarded as having traded in the property. If the syndicate was *not* formed for the specific purpose of buying and selling the property, but subsequently decided to do so, then these operations (taken alone) do not constitute a trade, and the so-called profits are not assessable. This rule is dealt with in considerable detail under TRADING, and the cases

SYNDICATES—(*contd.*)

which will now be cited provide several dicta which are included in the note under that heading. But in this place it will suffice to have stated the rule, and to give brief summaries of the facts to which the rule was applied in the cases referred to.

The cases are two in number, and in one instance liability was held to exist, and in the other the Crown's claim was rejected. In *Californian Copper Syndicate Limited* v. *Harris*, 1904, the syndicate was formed with a capital of £30,000, *inter alia*, to acquire copper and other mines, and certain mines named in particular, and to prospect and explore for the purpose of obtaining information, and to enter into treaties, contracts and engagements with respect to mines, mining rights and a number of other matters. It was also to carry on mercantile and commercial business and to work minerals, to establish and form companies for such objects, to accept payment in shares for property sold and to dispose of the same. Of the £28,332 realized by shares which were subscribed for, £24,000 was invested in a copper bearing field and the balance in preliminary, office and development expenses. The syndicate then sold the property to a second company for £300,000 fully paid up shares in that company. It was held that the profit which arose was the profit of a trade. Upon the facts referred to above, Lord Justice Clark commented: "These are some of the main purposes of the company (as above) and they certainly point distinctly to a highly speculative business, and the mode of their actual procedure was in the same direction . . . . I feel compelled to hold that this company was *in its conception* a company endeavouring to make profit by a trade or business, and that the profitable sale of its property was not truly a substitution of one form of investment for another. It is manifest that *it never did intend to work this mineral field* with the capital at its disposal. Such a thing was quite impossible. *Its purpose was to exploit the field* and obtain gain by inducing others to take it up on such terms as would bring substantial gain to themselves. This (the purpose) was that the turning of the investment to account was not to be merely incidental, but was . . . . the essential feature of the business, speculation being among the appointed means of the company's gains." Lord Trayner also said: "My reading of the appellant company's Articles of Association along with other

SYNDICATES—(*contd.*)

statements in the case, satisfies me that the sale on which the advantage was gained was a proper trading transaction, one within the company's power under their Articles, and *contemplated* as well as authorized by their Articles. I am satisfied that the Appellant Company was formed in order to acquire certain mineral fields or workings—not to work the same themselves for the benefit of the company, *but solely with a view and purpose of reselling the same at a profit.*"

In *Tebrau (Johore) Rubber Syndicate* v. *Farmer*, 1910, the syndicate was formed with the object of acquiring estates in the Malay Peninsula and developing them by planting and cultivating rubber trees. Power was taken in the memorandum of association to sell the property, and such a sale was contemplated in the prospectus issued at the inception of the company. The syndicate had a capital of £30,000, and acquired for £14,500, an estate, part of which was planted with rubber. It then purchased a second estate for £2,000. Its capital was inadequate to work these estates, and fourteen months later, in preference to increasing its capital or borrowing money, it sold its whole undertaking for £38,500 mostly in shares of the new company which was formed to acquire it. It was held that there was no liability to income tax on the transaction. Lord Salvesen declared: "I am unable to distinguish the position of the appellants from that of a person who acquires a property by way of investment and who realizes it afterwards at a profit. . . . . Here the appellant company *was formed primarily to acquire and develop* a certain estate mentioned, and any other estates suitable for the cultivation of rubber, and to carry on the business of developing and cultivating the said estates. *No doubt power was also taken to sell* any part of the undertaking and property of the company; *and I assume that the promoters of the syndicate had in view from the first that it might become expedient to do so; but I am unable to infer from this fact,* taken along with the ultimate sale of the entire assets to a new company, *that it was part of the trade of the syndicate to purchase and sell lands. . . . . The prospectus shows that while it was in contemplation that, on the estate being sufficiently developed, the syndicate might sell it as a going concern, it would be for the shareholders to determine whether that course should be adopted* or whether the estate

SYNDICATES—(*contd.*)

should be held and worked by the syndicate." Lord Johnston added: "Although from the name of the company one might have a certain amount of suspicion *that the real object of the company*, whatever its ostensible object was, was merely to turn over the property to another company, its prospectus has been drawn in such terms as not to justify that conclusion without something more, because its terms—and I may add what follows upon those terms—really involve the commencing of the company's life as an original rubber company."

The words which have been italicized for the purposes of this note contain the central thought of the Courts. The only essential matter for consideration is, whether there is sufficient evidence to justify the conclusion that the syndicate was formed to do what has been done. If so, those operations constitute the exercise of a trade.

See under PROFIT as to what, in a broad sense, constitutes liability to income tax; also under TRADING as to what constitutes trading.

TEMPEST.

See under FLOODS. The allowance made is the same in both cases.

TENANTS.

A tenant of a house or other premises is assessable to income tax under Schedule A (property tax) and is responsible for the payment thereof. He may recoup himself by deducting a corresponding amount from his next payment of rent. (See under RENT.) In a few cases a landlord is deemed to be the occupier for purposes of assessment. (See under LANDLORD.) A tenant of lands is assessable under Schedule A and also under Schedule B. The latter charge he is required to bear himself as stated under LANDS. House duty is also a tenant's tax.

A tenant may be called upon to pay any arrears of tax due from a former tenant (except when that tenant was also the owner), and may deduct any amount so paid from any subsequent payment of rent. (*I.T.A.*, 1918, *Schedule A, No. VIII, Rule* 7.)

TENANTS—(*contd.*)

Any application for duty made to a tenant in respect of premises on which he resides may be enforced by distraint.

See also under LANDLORD ; RECEIPT and RENT.

TENEMENTS.

See under APARTMENTS and FLATS.

THEFT.

See under BURGLARY and EMBEZZLEMENT.

TIED HOUSES.

See under LICENSED PREMISES.

TIMBER COMPANY.

Kauri Timber Co., Ltd. v. *Commissioner of Taxes* (*New Zealand*) (*Privy Council*, 1913).

The *Land and Income Assessment Act* of New Zealand, 1908, *s.* 87, enacts, *inter alia*, that—" In ascertaining the income derived from business, employment, or emolument, no deduction shall be made in respect of any of the following items : . . . (*c*) Investment of capital ; expenditure of capital ; loss of capital ; capital withdrawn. . . . (*l*) Losses, outgoings, and expenses incurred in connection with the ownership of land, except in cases where the profits derived from such ownership and use are liable to assessment for Income Tax."

The company acquired bush properties either by purchase outright of the land with the standing timber upon it or by purchasing the timber with the right to cut and remove it at any time during a stated period, which in most instances was ninety-nine years.

It was held that no deduction might be made from the gross proceeds of timber cut and sold, in respect of the value of the timber so cut.

Lord Shaw : " At least a considerable portion of the property was acquired under leases for a period of ninety-nine years. This is the first salient fact in the case. The second is that there is no

TIMBER COMPANY—(*contd.*)

obligation upon the company immediately to cut down and remove the timber, or indeed to do so at any specific date, their rights with regard to the timber being co-extensive in time with the currency of their leases. The case is thus removed, in fact, from any analogy with decisions in which a sale of standing timber was coupled with the duty of its instant removal from the ground. . . . It appears that the present case involves no refinement of distinction; for the transaction under which these timber rights were acquired was not one under which a mere possession of goods by a contract of sale was given to the appellant company, but was one under which they obtained an interest in, and possession of, land. So long as the timber, at the option of the company, remained upon the soil, it derived its sustenance and nutriment from it. The additional growths became *ipso jure* the property of the company. All rights of possession necessary for working the business of cutting or even for preserving uninjured the standing and growing stock of timber were ceded under the leases. All this, together with the business facilities for removal and sale, was granted to the company, which became thereby invested with the possession of, and an interest in, the land. . . . It has long been the law of the United Kingdom that the exhaustion of capital, however it might be treated on strict actuarial principles or according to certain principles of economics, may for the purposes of taxation be treated as profit. That profit may be temporary, and so when it ceases the capital may be gone, and with the going of the capital there will also go the subject and the possibility of the tax. . . . The law—so clearly settled with regard to the working of coal and of nitrates, and settled upon a broad general principle—is in no way different when it comes to be applied to timber-bearing lands. The principle as to the true reason for holding that such timber rights are of the nature of possession of, and interest in, the land itself has long been settled."

"A note by the learned editor in the first volume of *Saunders's Reports* (p. 277c), puts the matter thus: 'The principle of these decisions appears to be this: that wherever at the time of the contract it is contemplated that the purchaser should derive a benefit from the further growth of the thing sold, from further

TIMBER COMPANY—(*contd.*)

vegetation and from the nutriment afforded by the land, the contract is to be considered as for the interest in land ; but where the process of vegetation is over, or the parties agree that the thing sold shall be immediately withdrawn from the land, the land is to be considered as a mere warehouse of the thing sold and the contract is for goods.'"

TIMBER LANDS.

See under WOODLANDS.

TITHES.

Tithes taken in kind are assessable according to the average value received during the three years preceding the year of assessment. Dues and money payments in right of the church, or by endowment, or in lieu of tithes not arising from lands, and teinds in Scotland are similarly assessable. Tithes arising from lands, if compounded for, and all rents and other money payments in lieu of such tithes (except rent charges confirmed under the Act for the commutation of tithes) are assessable on the amount paid in the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A, No. II, Rules* 1, 2, 3, 4.) The last-mentioned subjects are assessable on the person entitled thereto except for such compositions, rents or other payments in lieu of tithes which the local General Commissioners see fit to assess on the persons liable to pay them. In the latter case, such persons may be required to make the necessary returns, and may deduct from subsequent payments the amount of any tax charged on them. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 6 ; *and No. VIII, Rule* 1.)

No deduction is allowed in the ordinary way from the annual value of lands, etc., in respect of any annual charge payable thereon. In paying such charge the tenant is entitled to make a deduction equivalent to the tax payable thereon. (*I.T.A.*, 1918, *s.* 170 ; *and Schedule A, No. VIII, Rule* 1.) But rent charges under the Act for the commutation of tithes, and all other rent charges in lieu of tithe, may be assessed on the person entitled to them in one sum for the whole parish. He may make a return thereof, and the Commissioners may charge him on the annual value thereof,

TITHES—(*contd.*)

less the amount of parochial rates, taxes and assessments charged thereon in the year preceding the year of assessment. The adoption of this provision is optional to the person entitled to the rent charges. (*I.T.A.*, 1918, *Schedule A, No. VII, Rule* 7.) The cost of collecting a tithe rent charge may be deducted from the assessment (*Stevens* v. *Bishop*, 1888) if it is made on the person entitled to the income in question. Where this method of assessment is adopted, each property in respect of which the tithe rent charge is paid is assessed under Schedule B on its full annual value, but under Schedule A on its annual value less the amount of the rent charge. Some specimen assessments will be found in Chapter XI.

TOLLS.

Tolls are assessable on the amount of the profits of the year preceding the year of assessment. (*I.T.A.*, 1918, *Schedule A, No. III, Rule* 3.)

TRADE.

See under TRADING.

TRADE ASSOCIATIONS.

Contributions towards a Trade Association are allowed as a deduction from the profits of a trader making them, provided that they may be said to be expenses incurred in carrying on his business. Thus, if the payments are made in consideration of information being given as to the reputation of prospective customers, they are certainly allowable as deductions. On the other hand, a subscription paid by a colliery company to a Coal Owners' Association (so as to secure an indemnity in the event of certain stoppages of output) was held to be inadmissible as a deduction from the company's profits. "This money is not laid out for the purpose of such trade. It is money laid out in order to provide for an unfortunate contingency whereby the trade cannot be worked." (Pollock, B. in *Rhymney Iron Co., Limited* v. *Fowler*, 1896.)

The question is harder to decide when the subscription is intended to secure less clearly defined advantages, *e.g.*, when it has to do with a manufacturers' "combine." In *Guest, Keen, and Nettlefolds*,

TRADE ASSOCIATIONS—(*contd.*)

Limited v. *Fowler*, 1910, the company contributed towards the expenses of a Manufacturers' Association, formed for the purpose of keeping up prices. Any member of the Association which invoiced more than his fixed proportion of orders, was required to contribute to a pool account, which was divided amongst members who invoiced less than their fixed proportions. It was held that any payments made to the Association were allowable as deductions from the profits of the company making them. "I am bound to find," said the judge, "that this money was paid for the purpose of keeping up the price and thus earning the larger profit of the trade." He had already analysed the trade and found that its operations included the manufacture and the sale of the company's goods; also that the sale included the finding of the customer and making a bargain with him with the object of getting the highest possible price. It followed, naturally, that the payment to the Association was made in order to assist the company to obtain a higher price than it otherwise would, and was therefore a trade expense.

In *Lochgelly Iron Co.* v. *Crawford* (1913), the company made contributions to a Coal Owners' Association. The Court suggested that the contributions were allowable as deductions or otherwise according to the purposes for which they were expended by the Association. After examination of this matter it was held (1) that the proportion of the contributions expended in defraying the expenses of the Conciliation Board should be deducted, but not the proportion expended (2) by way of subscription to the Mining Association of Great Britain or (3) in experimenting with coal dust. It was agreed between the parties that (4) the proportion applied to the working expenses of the Association and maintenance of a reserve station should be deducted, but not (5) capital expenditure on the reserve station and the cost of a presentation to the Chairman.

In *Grahamston Iron Company Ltd.* v. *Crawford* (1915), the company claimed that levies paid to a Trade Association should be allowed as a deduction. In the course of an appeal the Special Commissioners asked for the accounts of the Trade Association and, on the Appellants pleading inability to produce such accounts the Special Commissioners declined to grant a deduction in respect

TRADE ASSOCIATIONS—(*contd.*)

of the levies. The Court held that the Special Commissioners were entitled to require the production of the accounts, without which the matter could not be properly determined. The Lord President —" The sum I have just mentioned was, they say, paid by them to an Association . . . . for the purpose of keeping up the prices and so maintaining, or raising, it may be, the profits of its members, and unquestionably, if they can show that the sum in question was actually expended by them for that purpose, they are entitled to the deduction, because it is now well-settled law that such subscriptions are sums expended for the purpose of trade and are not merely an application of profits already earned. . . . . It was contended on behalf of the Appellants that all they had to show was the purpose for which they spent the money and that the manner in which the sum so expended by them might be subsequently applied is immaterial. I cannot agree to that as a general proposition. . . . . It appears to me quite reasonable that the Special Commissioners, before determining the fact, should ascertain how the money was actually spent by the Association, of which the Appellants are themselves members, the assets of which, we see, belong to them along with their fellow members, from which Association they can retire at any moment, and over which Association the members themselves have sole control."

Traders may with profit take the advice of the Association concerned, which will possibly have been in negotiation with the revenue authorities on the subject of income tax deductions.

See also under COMPANIES.

TRADE DEPRESSION.

No concern may depart from the average system of assessment on the ground of trade depression alone. See under SPECIFIC CAUSE, and in Chapter IV, as to the adjustment granted when an extraordinary depression of trade followed on a change in the proprietorship of a colliery.

TRADE UNIONS.

A trade union which fulfils certain conditions is granted exemption from income tax under Schedule A (property tax), Schedule

TRADE UNIONS—(*contd.*)

C (dividends, etc., on Government stock and other income arising out of the public revenue) and Schedule D as regards interest and dividends. The conditions are (*a*) that the exemption shall extend only to income applicable and applied solely for the purposes of provident benefits, and (*b*) that the rules of the union prohibit the amount assured to any person exceeding £300, and any annuity being paid which exceeds £52 per annum.

Provident benefits include any payment made to a member during sickness or incapacity from personal injury, or while out of work; or to an aged member by way of superannuation, or to a member who has met with an accident or has lost his tools by fire or theft; also a payment in discharge or aid of funeral expenses on the death of a member or the wife of a member, or as a provision for the children of the deceased member. All such payments must be expressly authorized by the rules of the union. (*Trade Union Provident Funds Act*, 1893.)

See also under QUARTERLY ASSESSMENTS.

TRADING.

It is shown under PROFIT that income tax can be charged only on income which falls within the schedules of assessment, and that besides clearly marked sources, such as property, professions, employments, etc., the schedules include certain more doubtful subjects, such as the profits of trade. These matters are dealt with under the heading indicated, but the question as to what constitutes trading falls to be discussed under the present heading.

Five rules will be considered here, viz.:—That regard must be paid to the usual meaning of the word "trading"; that trading requires two or more parties; that trading usually requires a series of operations; that if a thing is bought to sell again the intention may prove that a trade was exercised; that the proceeds of an investment may be the profit of a trade. As regards the place where trade is carried on (at home or abroad) see under the various headings indicated under FOREIGN. (See also under DEDUCTIONS as to what expenses are expenses of trade.)

In the first place regard must be paid to the ordinary meaning of

TRADING—(*contd.*)

the word "trading." In *The Board of Conservators of the Severn Fishery District* v. *O'May* (1918), the Revenue contended that the Fishery Board carried on a trade, manufacture, adventure or concern in the nature of trade within the meaning of the Income Tax Acts, and was therefore assessable in respect of its receipts from licences and fines. The facts were as stated in the following extracts from the judgment, in which it was decided that there was no liability on the part of the Board. Rowlatt, J.—"This Fishery Board exists by virtue of legislation the evolution of which is to be traced for the purposes of this case—I do not know if it can be traced further for other purposes—back to the Act of 1861. By that Act the control of Salmon Fisheries was provided for through Conservators appointed by the Court of Quarter Sessions who were entitled to prevent certain forms of fishing and to prevent other practices which might tend to destroy the value of fisheries. But they had no funds to enable them to take the necessary steps, and in the year 1865 another Act was passed which recited that they had no such funds and remedied the omission by enabling them to issue licences at certain rates and prohibit people from fishing without those licences. Now that is the position, speaking roughly, which the Severn Fishery Board, the present authority, occupies. They have this fund; they issue licences within their district to people who fish now either for salmon or trout; they have two separate sorts of licence, and they gain an income of about £1,000 from that source. They expend it mainly in the provision of water bailiffs to watch the fisheries and in the necessary administrative expenses. . . . . Now what is the position of the Board? The receipt of money by them has nothing to do with any sort of property or any sort of undertaking in connection with which the subject of profit could be thought of. They have no property, they have no tolls, or anything mentioned in the Act; they have no trade, manufacture, adventure, or concern in the nature of trade, or anything of the sort at all. What they are doing is this; they are simply, for a particular locality, protecting the fisheries, as the Government might protect them, although, of course, they are not a department of the Government, and raising for that purpose a revenue by taking licences from the people who enjoy those fisheries.

TRADING—(*contd.*)

It is not like any profit-making concern at all ; it is all entirely from a public point of view."

In the second place, trading requires more than one party, or as a judge has said : " No man can trade with himself." This rule has been adduced in cases relating to two classes of concerns, viz., insurance companies whose shareholders are in some measure identical with its policy holders, and local authorities which may be identical with the ratepayers to whom it supplies gas or water. It will be necessary here to indicate fully the principle on which these and other similar cases have been, and must be, decided ; the particular details of the cases need not be dwelt upon more than this requires.

Most life insurance companies attract custom by issuing participating policies. The holder of such a policy pays a premium larger than the normal one, in consideration of an addition being made to the capital sum to which he is assured. That addition is made at each quinquennial valuation, and is reckoned to be a participation in the company's profit. In a particular case a company paid a dividend of 7 per cent. to its shareholders, and distributed the remaining profits amongst its participating policy holders. It could not be contended that the shareholders, as a body, were identical with the holders of these policies, for there were shareholders who were not policy holders, and there were policy holders who did not participate in the profits. The company claimed, however, that its surplus could not be regarded as profit, but the Court decided against them. " It is conceded," said the judge, " that if it were a mutual undertaking, pure and simple, and that people had merely agreed to assure one another, and had overpaid in the matter of insurance, they could from time to time, by some process of re-adjustment, give back to one another in equitable shares what they had overpaid—that is perfectly plain—and what they received back could not in any sense be called profit, and would not be assessable to income tax. But what has happened here is very different. Here there are two distinct bodies (the company and the participating policy holders). . . . . There was a surplus, which was paid by the policy holders to the company. . . . . I think the surplus was the profit in the hands of the company. It is true that the

TRADING—(*contd.*)

company, having got it, chose to pay a certain portion of it back—not all of it. . . . . They did pay some of it back to the policy holders, who were outsiders (*i.e.* not shareholders). That did not prevent it from remaining profit." (*Equitable Life Assurance Society of the United States* v. *Bishop*, 1899.) The circumstances of this case are in line with those most frequently met with, and the decision disposes of any claim to exemption from income tax. That exemption is limited to a case where all the shareholders are policy holders, and all the policy holders are shareholders, that is, where the concern is literally a mutual one. These conditions were fulfilled in *Styles* v. *New York Life Insurance Co.* (1889), where it was stated : " Insurance, by means of a participating policy, is the only possible qualification for membership ; and, as soon as it is effected, the insured is invested with all the rights, and becomes subject to all the liabilities of a partner. The individuals insured and those associated for the purpose of receiving their dividends and meeting policies when they fall in, are identical, and I do not think that their complete identity can be destroyed, or even impaired, by their incorporation. The corporation is merely a legal entity, which represents the aggregate of its members ; and the members of the appellant company are its participating policy holders."

The rule remains, therefore, as follows. It is established that no trading is carried on by a concern whose sole proprietorship is vested in the individuals with whom it does business. If a trading concern makes an annual return to its customers, based on their aggregate purchases during the year (say 6d. for every £ of such purchases) the amount returned may be charged in its accounts as a trade expense, because it represents merely a promised return of an agreed portion of the money paid for goods. Where, however, a concern contracts to divide amongst its customers all profits in excess of a certain amount, the amount returned may not be charged as an expense because (*a*) it is not merely a return of purchase money, but a distribution of surplus profit, and (*b*) the proprietors are not identical with the customers with whom they traded. But where the sole proprietorship of a concern is vested in the persons with whom it does business, and any surplus naturally belongs to such

TRADING—(*contd.*)

persons, no trading is carried on, and the surplus is not assessable, for " no man can trade with himself." The judicial comment as to the irrelevance of any statutory incorporation referred to above, must be restricted in its application, to the matter referred to. Here the individual policy holders grouped themselves for the safeguarding of their mutual interests and the grouping happened to be by a legal incorporation. It would be different if an incorporated company, which traded indiscriminately, chanced to trade with each of its shareholders. A surplus realized on such transactions should certainly be regarded as profit assessable to income tax. (See under CORPORATIONS as regards trading concerns carried on by a local authority. Where gas is sold by a corporation to anyone who requires it and only to such persons, the seller and the buyer are distinct persons, and the surplus realized is a trade profit. Where a corporation sells water by meter or outside its own area its surplus is similarly assessable. But water supplied to all ratepayers and paid for by a compulsory rate is not the subject of a trade, inasmuch as the buyers are the ratepayers and the sellers are the same ratepayers grouped together for mutual advantage.)

The third important rule is that trading usually requires a series of operations. (There is a clearly defined exception which forms the subject of the third rule dealt with below.) In considering whether the surplus accruing from a specific transaction is the profit of a trade, it may be asked (*a*) Is the transaction part of a business admittedly carried on by means of other transactions of a different nature ? or (*b*) Is the transaction one of a series of the same nature, all of which constitute a trade ? Thus, if a house is sold for more than was given for it, under (*a*) one might have to ask : Is the sale of the house a part of the business of a builder (if it were sold by such a person) ? Under (*b*) one might ask : Has he bought and sold any other houses, so that the transactions may be put together and be said to constitute a trade in houses ? The aspect of the case suggested under (*a*) has been considered in the cases of companies formed for specific objects for the purposes of which they hold investments. These investments are, no doubt, varied from time to time, and a surplus may be realized. That surplus

TRADING—(*contd.*)

may or may not be the profit of a trade, and the essential question may be, as under (*a*), whether the realization of the investment forms part of the larger business of the company. An assurance company, for example, is compelled to purchase investments and, naturally, sells out and reinvests wherever it seems expedient. In *Northern Assurance Co.* v. *Russell*, 1889, it was held that a surplus so realized was part of the profits of the company. A similar case was that of an investment company which varied its investments with advantage. It was held that the purchase and sale of investments was part of the company's business. "From the structure of the memorandum it appears that the varying of the investments and turning them to account, are not contemplated merely as proceedings incidentally necessary, *for they take their place among what are the essential features of the business.*" (*Scottish Investment Co.* v. *Forbes*, 1893.) In *Hudson Bay Co. Limited* v. *Stevens* (1909), the company possessed certain lands granted by the Crown as part of the return for surrendering their territory and rights of government. From time to time it sold parts of these lands, and the assessment on its trading profits was made to include the surplus so realized. It was held, however, that the sales in question did not form part of the company's trade. The Master of the Rolls declared: "I am unable to attach any weight to the circumstances that large sales are made every year. This is not a case where land is from time to time purchased with a view to re-sale. I am unable to accept the view that the company were carrying on the trade of selling land." It will be seen, therefore, that in considering whether any particular transaction is part of the recognized business of the person or company concerned, the facts of the case must be carefully weighed and the decision must be in accordance with these facts irrespective of any consideration of law. It is really a matter for the business man more than for the lawyer, although the question often impinges on a second matter concerning which judicial *dicta* will be found of some value. That matter is as to whether the transaction in question is one of a series of the same nature which together constitute the exercise of a trade. This is the subject indicated under (*b*) and it will now be considered.

TRADING—(*contd.*)

Is the transaction one of a series, and does the series constitute a trade? In *Assets Co., Limited* v. *Forbes*, 1897, the company was formed to acquire the outstanding assets of a bank which had been liquidated, and to realize these assets for as much as could be obtained for them. The facts were not stated sufficiently for the Court to decide the matter, but the judges indicated the principles on which any decision should be based. The opinion of the Court was expressed as follows: "*I have really no doubt that any person, or any company making a trade of purchasing and selling investments will be liable upon any profit which is made by that trade.* It is quite an intelligible business, just as intelligible as a trade consisting in the purchase and sale of goods in the ordinary trade of a merchant or shopkeeper. . . . *But it is another proposition altogether that, where that is not a trade, a gain upon the purchase and re-sale of property comes within the meaning of the Income Tax Acts.* Take even proper traders; if proper traders sell their old premises and buy new ones, and sell the old premises at a higher price than they paid for them, investing in the purchase of the site and the erection of new premises the price which they have got, I should say it was a totally untenable proposition that anything in excess of what they had paid for the old premises, perhaps twenty years before . . . . is income within the meaning of the Act. *It is no more so in the case of a private individual selling his house at more than he paid for it, or selling his carriage or pictures at more than he paid for them. That is not income in any sense; while a dealer in pictures, like a dealer in goods or a dealer in the buying or selling of houses, who made it a trade, would then come within the region of income tax.*" Certain *dicta* in *Californian Copper Syndicate* v. *Harris* (1904), summarize the matter yet more closely. After stating that the enhanced price obtained in the realization of an investment is not assessable when what is done is *merely* the realization or change of an investment, but is assessable when the change constitutes the carrying on or carrying out of a business, a judge continued: "What is the line which separates the two classes of cases may be difficult to define, and *each case must be considered according to its facts; the question to be determined being—Is the sum of gain that has been made a mere enhancement of value by realizing a security, or is it a gain made in an*

TRADING—(*contd.*)

operation of business in carrying out a scheme for profit making?" It is not possible to state what constitutes liability in any clearer terms than these. It will have been observed that even a series of transactions does not necessarily constitute a trade (*e.g.* in *Hudson Bay Co., Limited* v. *Stevens*, 1909). But a series of transactions which includes both buying and selling must almost inevitably fall within the term " the carrying on of a trade."

In *Rand* v. *The Alberni Land Co., Limited* (High Court, 1920), various people owning lands in British Columbia formed a company to which they transferred the ownership of their lands in return for shares in the company, which shares had been continuously held by the original allottees or their representatives. Certain deferred shares had subsequently been allotted to other persons for services which enhanced the value of the land. It was held that the surplus arising from the sale by the company of portions of land was not profit assessable to income tax. Rowlatt, J.—" Now the question is whether this company has really only realized some property held as capital by those who became its shareholders, namely, the people entitled under the trust, or who started or founded the trust, or whether it has got to the point of embarking in a trade or business of which these receipts are the resulting profits. It appears that these lands in the Island of Vancouver, which must have been of considerable extent and value, were the subject of a trust in which there were many beneficiaries, and the land fell to be divided into many shares including some infants, represented I suppose by trustees, but I have not all the details of that. But at any rate it was a situation in which it was extremely difficult to see how the land could profitably or advisedly be sold at the moment, and therefore this company was started and the company took these lands for shares at the *pro forma* price of £4,800, which was the capital of the company. It has been agreed on both sides that that figure bore no sort of relation to the value of the land. It was not really a buying of the land for that, but the lands passed into the control of the company, who were to liquidate it and turn it into money to the best advantage, and that figure was taken as the capital of the company, as being easily divisible by the divisors which were necessary to work out the trust. Now the company

TRADING—(*contd.*)

proceeded in a very enterprising way undoubtedly. It cleared the land and formed roads. It sold parts of it and kept some of the money and put it back into the land, and so on, and it gave a share in its capital to certain people who were instrumental in bringing a railway there. Undoubtedly it has done very well. Under those circumstances the Attorney-General and the Revenues contend that it has gone beyond the stage of merely realizing the property, and has embarked upon a business in land, which it has not in the real sense bought, but in land which came to it. The Commissioners have held that that is not so, and I am not prepared to differ from the Commissioners. I very much doubt, after what Lord Justice Farwell said, whether it is not a question of fact, and only appealable in the sense of the question whether there is any evidence of it or not. It is a case which is not very far from the line, but I think it is on the right side of the line. If this had been an individual he need not have had a company. He might have done all these things, and if he had been a prudent or a public spirited man, he would have done all these things. . . . I do not believe a land-owner would be liable for a moment, and I do not think that the company is liable."

In *Beynon & Co., Limited* v. *Ogg* (1918), a company carrying on business as brokers and agents on one particular occasion made a purchase of wagons on its own account as a speculation. The company contended that the profit resulting from that speculation was not assessable. It was held that the transaction was made in the course of the company's business and that the profit was assessable. Sankey, J.—" Having purchased two lots of wagons as agents they purchased a third lot of wagons for themselves, and it is found that they purchased the third lot entirely on their own account as a speculation and with a view to subsequent re-sale at a profit. Their forethought was justified ; the price of materials and labour did increase and the price of the wagons naturally was enhanced, and in July, 1915, they sold their bargain at a profit. . . . . To begin with the wagons were not bought as plant and machinery for the purpose of the Appellant Company's trade, and I do not think that the purchase price of the wagons when sold ever formed part of the capital of the business. . . . I do not think

TRADING—(*contd.*)

it is possible to say that the mere fact that it was an isolated transaction at once takes it out of the category of chargeable property. I think in most cases an isolated transaction does not fall to be chargeable, but I think you have to consider the transaction and you cannot lay it down as a matter of law without regard to the circumstances. . . . I think you have to look first at all the numbers of wagons bought. This was a very large number, as the Attorney-General pointed out, and I cannot think that the Commissioners were wrong in coming to the conclusion that on this occasion, at any rate, the Appellant Company did enter upon the business of wagon dealers. If quite a small company had done this, or if, as the Attorney-General has said, this company had sold these wagons from time to time over a period of three or four months, I hardly think the case would have been argued. Although it is perfectly true that that transaction began with one purchase and ended with one sale, that, I think, is only a coincidence. . . . I do not for a moment intend to endeavour to define where the line ought to be drawn. I do not think it is desirable, and I am perfectly satisfied that I am not capable of doing it, but it is perfectly easy to say whether Case A or Case B falls on the one side or the other."

The fourth general rule may almost be described as an exception to the rule previously stated, although strictly speaking, it is but an amplification of it. If the sweeping dicta, given above, of a judge in *Assets Co., Limited* v. *Forbes*, 1897, were taken alone, it might appear that in no conceivable circumstances can surplus, realized from an isolated transaction such as the purchase and sale of an estate, be regarded as the profit of a trade. But a carefully chosen phrase may be noted in the dicta quoted from the Californian Copper Syndicate case. The judge referred to " a gain made in an operation of business in *carrying out* a scheme for profit making," and it is clear that a profit making scheme may be *carried out* in one isolated transaction of purchase and sale. " The simplest case," said the same judge, " is that of a person or association of persons buying and selling lands or securities speculatively, in order to make gain. . . . . There are many companies which in their very inception are formed for such a purpose, and in these cases it is not doubtful that,

TRADING—(*contd.*)

where they make a gain by a realization, the gain they make is liable to be assessed for income tax." Such companies are frequently termed "syndicates" and cases relating to concerns of that nature are analysed under SYNDICATES. The essential question becomes—Was the company *formed for the purpose* of making a profit by buying and selling the property concerned? If so, there is liability on the surplus arising from a single operation. It might follow that if an individual purchases, say, a house with a view to selling it at an increased price, he is liable on any profit arising from the transaction. If his intention can be *proved* there would appear to be no doubt of his assessability. But intention is usually a matter very difficult of proof.

The fact that the *proceeds* of an investment might constitute the profit of a trade may be mentioned here as a fourth rule. (Profit on *realization* of an investment is considered under the second rule.) In most cases it is immaterial whether or not dividends and interest are regarded as trade profits, but when such income is not taxed by deduction before receipt, the matter may become important. Thus, the foreign profits of an English company are assessable in all cases, but until 1914 its foreign interest was only assessable so far as it is brought to this country if it was not regarded as a trade profit. Further, interest is assessable in full without any deductions for expenses, etc., but where it is regarded as a trade profit (*e.g.*, in the case of a banker) such deductions are allowed. This matter is dealt with under INTEREST.

It has been shown, under the *Hudson Bay Company* case, that selling alone does not constitute trading. It may be stated also that *buying* alone does not constitute trading. Where an American firm did nothing in this country but buy goods for exportation, it was held that no trade was carried on here. (*Sulley* v. *Attorney-General*, 1860.)

See under BANKERS; BETTING PROFITS; CLUBS; GOLF CLUBS; RACING PROFITS; etc.; for particular applications of the principles indicated above.

TRANSFER FEES.

See under FEES PAID TO A COMPANY.

TRAVELLING EXPENSES.

Travelling expenses are only allowable as deductions from profits when they are incurred in the performance of the duties of an employment or in the carrying on of a trade. The cost of travelling to a place where the duties are to be performed is not an allowable deduction. In practice the travelling expenses of commercial travellers are allowed (see under COMMERCIAL TRAVELLERS), and if any one else is required to make a special journey for business purposes (*e.g.*, for the purpose of inspecting branches), the cost thereof may be set against the remuneration received. This does not extend to travelling from residence to place of business, or from one place of business to the seat of another business.

Thus, a solicitor who resided and carried on his profession at Worcester was not allowed to deduct, from an assessment on him as clerk to the Justices at Bromyard, the expenses of travelling from Worcester to perform his duties at Bromyard. "It cannot be said that his travelling from the place where he lives, whether near or far, to the place where he has to discharge his duties, is a travelling in the performance of those duties." "I cannot see any difference in this case and the case of a man having an office in London, who chooses for his own convenience or pleasure or domestic necessity, as the case may be, to live and occupy a house at Brighton, and pay his ticket up to town every day. It was never contemplated that they should be called expenses necessarily incurred in the transaction of his business." (Judges in *Cook* v. *Knott*, 1887.) Similarly the directors of a company are not allowed to deduct from assessments in respect of their fees the expenses of travelling from their residences to the place of meeting of the company. (*Revell* v. *Directors of Elworthy & Co., Limited*, 1890.) In this case the secretary stated that the fees were intended to defray the expenses of the directors as well as to remunerate them for their services.

TREASURY BILLS.

See under DISCOUNT; also under SCHEDULE D, page 441.

TRUST INCOME.

The *F.A.*, 1922, *s.* 20, contains complicated provisions having for object the assessment to super-tax of income which has legally

TRUST INCOME—(*contd.*)

been transferred to a second person by an individual who still benefits or may still benefit therefrom. The general sense of the provisions is as follows—

If a person is able without the consent of any other person to obtain the beneficial enjoyment of any income, or if a person has since the 6th April, 1914, otherwise than for valuable and sufficient consideration, disposed of any income for the benefit of any other person for a period which cannot exceed six years, or if a person has disposed directly or indirectly of any income for the benefit of his child for some period less than the life of that child, then the income in question is to be regarded as belonging to the person referred to. For purposes of these provisions husband and wife are regarded as being identical. There are certain exceptions and qualifications to these rules.

The full enactment is as follows—

(1) Any income—

(*a*) of which any person is able, or has at any time since the fifth day of April, nineteen hundred and twenty-two, been able, without the consent of any other person by means of the exercise of any power of appointment, power of revocation or otherwise howsoever by virtue or in consequence of a disposition made directly or indirectly by himself, to obtain for himself the beneficial enjoyment ; or

(*b*) which by virtue or in consequence of any disposition made, directly or indirectly, by any person after the first day of May, nineteen hundred and twenty-two (other than a disposition made for valuable and sufficient consideration), is payable to or applicable for the benefit of any other person for a period which cannot exceed six years ; or

(*c*) which by virtue or in consequence of any disposition made, directly or indirectly, by any person after the fifth day of April, nineteen hundred and fourteen, is payable to or applicable for the benefit of a child of that person for some period less than the life of the child ;

shall, subject to the provisions of this section, but in cases under the above paragraph (*c*) only if and so long as the child is an infant and unmarried, be deemed for the purposes of the enactments relating to income tax (including super-tax) to be the income of the person who is or was able to obtain the beneficial enjoyment thereof, or of the person, if living, by whom the disposition was made, as the case may be, and not to be for those purposes the income of any other person :

Provided that in cases under the above paragraph (*a*)—

(i) where any such power as aforesaid can be exercised by a person with the consent of the wife or the husband of that person, the power shall, for the purposes of the said paragraph, be deemed to be exerciseable without the consent of another person, except where the husband and wife are living apart either by agreement or under an order of a court of competent jurisdiction ; and

(ii) where any such power as aforesaid is exercisable by the wife or the husband of the person who made the disposition, the power shall, for the

TRUST INCOME—(*contd.*)

purposes of the said paragraph, be deemed to be exercisable by the person who made the disposition.

Provided also that—

(i) the above paragraph (*c*) shall not apply as regards any income which is derived from capital which, at the end of the period during which that income is payable or applicable for the benefit of the child, is required by the disposition to be held on trust absolutely for, or to be transferred to, the child, or any income which is payable to or applicable for the benefit of a child during the whole period of the life of the person by whom the disposition was made; and

(ii) for the purposes of the said paragraph (*c*) income shall not be deemed to be payable to or applicable for the benefit of a child for some period less than its life by reason only that the disposition contains a provision for the payment to some other person of the income in the event of the bankruptcy of the child, or of an assignment thereof, or a charge thereon being executed by the child.

(2) Where by virtue of paragraph (*b*) or paragraph (*c*) of subsection (1) of this section any income tax or super-tax becomes chargeable on and is paid by the person by whom the disposition was made, that person shall be entitled to recover from any trustee or other person to whom the income is payable by virtue or in consequence of the disposition the amount of the tax so paid, and for that purpose to require the Commissioners concerned to furnish to him a certificate specifying the amount of the income in respect of which he has so paid tax and the amount of the tax so paid, and any certificate so furnished shall be conclusive evidence of the facts appearing thereby.

(3) Where any person obtains in respect of any allowance or relief a repayment of income tax in excess of the amount of the repayment to which he would but for the provisions of paragraph (*b*) or paragraph (*c*) of subsection (1) of this section have been entitled, an amount equal to the excess shall be paid by him to the trustee or other person to whom the income is payable by virtue or in consequence of the disposition, or where there are two or more such persons shall be apportioned among those persons as the case may require.

If any question arises as to the amount of any payment or as to any apportionment to be made under this subsection, that question shall be decided by the General Commissioners whose decision thereon shall be final.

(4) Any income, which is deemed by virtue of this section to be the income of any person, shall be deemed to be the highest part of his income.

(5) In this section, unless the context otherwise requires—

The expression " child " includes step-child or illegitimate child;

The expression " disposition " includes any trust, covenant, agreement or arrangement.

TRUSTEES.

See under AGENTS; also under INSANE PERSONS and MINORS.

TRUSTEES FOR DEBENTURE HOLDERS.

The position of a trustee for debenture holders is rather a doubtful one. It is not certain that such a person can be regarded as holding an office under the company. If not, he is assessable under Schedule D, and not under Schedule E. Further, it is probable

TRUSTEES FOR DEBENTURE HOLDERS—(*contd.*)

that a company is not entitled to charge such fees as trading expenses, inasmuch as they are expenses incurred in obtaining borrowed capital. The legal position is probably that a company should have no deduction in respect thereof, but that the recipient should pay tax thereon. Regarding the matter broadly, however, it would seem unfair that tax should be paid twice on such fees, and an equitable result can be obtained if the local commissioners allow the company to charge them as a trade expense, and require the trustees to account for tax thereon. It is a matter for decision locally, and an unreasonable view is not likely to be taken.

TRUSTS.

As regards accumulating income, see under MINORS.

TYPEWRITER.

A typewriter is not " plant and machinery " in respect of whose wear and tear an allowance may be claimed. (See under DEPRECIATION as regards this allowance.) It is rather an implement, utensil or article employed for the purpose of trade, the cost of the upkeep and replacement of which should be charged as a trade expense. (See under IMPLEMENTS.)

UNDERWRITERS, MARINE.

See under MARINE INSURANCE.

UNDERWRITING, COST OF.

The cost of underwriting an issue of capital may not be charged as a trade expense. This is clearly a capital charge. In *Texas Land and Mortgage Co.* v. *Holtham*, 1894, the judges refused to allow the deduction of brokers' commission and other expenses incurred in issuing debentures.

UNDERWRITING PROFITS.

If a person who underwrites certain shares succeeds in disposing of all the shares for which he is responsible, his liability to income tax is clearly on the amount by which he is in pocket over the transaction. If he chooses to retain some of the shares, his liability

UNDERWRITING PROFITS—(*contd.*)

is on the proportion of the underwriting commission which relates to the shares disposed of. Where an underwriter of shares is compelled to retain certain of the shares underwritten, and they are worth less in the market than he gave for them, he may deduct this deficit from the commission on the shares disposed of. Thus, if a man underwrites £1,500 (nominal value) of shares at a commission of 5 per cent. and disposes of £1,100 (nominal value) only, being compelled to take up the balance which are worth £300 immediately after the issue, his liability is as follows—

5% Commission on £1,100			£55
Deduct :—			
Cost of £400 shares taken up (less 5% thereon) ..	£380		
Less market value of these shares	350		
			30
Profit for income tax purposes			£25

UNEARNED PREMIUMS.

See under INSURANCE COMPANIES.

UNEMPLOYMENT.

An assessment may be discharged for that part of the year in which the person assessed is unemployed and in receipt of no remuneration. That person may not, however, bring a part of a year's earnings into a future averaging calculation as if it were a whole year's income.

UNEMPLOYMENT INSURANCE CLAIMS.

The *F.A.*, 1921, *s.* 33, exempts from income tax all income receivable from any source whatsoever, for the purposes of a special scheme or a supplementary scheme established under the Unemployment Insurance Act, 1920, by the body charged with the administration of the scheme.

UNEXPIRED RISKS.

When a concern has received payment for undertaking certain risks which have not expired at the time the accounts are closed, the payment received should be included in the accounts, but a deduction should be made of that part of the payment which relates

UNEXPIRED RISKS—(*contd.*)

to the risk still unexpired. (See under INSURANCE COMPANIES.) Similarly when a concern has made a payment in respect of a risk which has not altogether expired, a part of that payment should be left to be charged against the accounts for the next period. In a case of annual insurance premiums paid, where a small charge only is involved, it will probably be found too trivial an adjustment to be worth making.

Where a concern receives a payment in return for undertaking certain work in perpetuity, that payment should be included in the accounts for the period in which it was received. (See under CEMETERIES and CREMATORIUM for a case in point.)

UNFURNISHED APARTMENTS.

See under APARTMENTS.

UNIVERSITY.

See *King* v. *Special Commissioners; Ex parte University College of N. Wales*, 1909, under CHARITIES.

UTENSILS.

See under IMPLEMENTS.

VOCATIONS.

Vocations are assessable under Case II of Schedule D. The three years' average system applies (see Chapter III), with the exceptions stated in Chapter IV.

WAGES.

Wages are obviously disbursements in the course of trade which are allowable as deductions from profits. A trader may make no deduction, however, in respect of wages paid to himself or to his wife. If a wage earner's income is above the exemption limit, he may (*a*), if not a manual worker, be assessed on his actual remuneration, as under EMPLOYEES ; (*b*) if a manual worker, be assessed by way of QUARTERLY ASSESSMENT (*q.v.*).

WAGGONS.

See under HIRE PURCHASE.

WAR GRATUITIES, PENSIONS, ETC.

Wounds and Disability Pensions.

It is provided that *as from the year* 1918/19 and future the income from the wounds and disability pensions described below is not to be assessed, and is not to be reckoned as income in any statement of income for tax purposes.

The pensions in question are—

(*a*) wounds pensions granted to members of the naval, military, or air forces of the Crown ;

(*b*) retired pay of disabled officers granted on account of naval, military or air force service ;

(*c*) disablement or disability pensions granted to members, other than commissioned officers, of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air-force service ;

(*d*) disablement pensions granted to persons who have been employed in the nursing services of any of the naval, military, or air-forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military, or air-force service ;

(*e*) injury and disablement pensions payable under any scheme made under the Injuries in War (Compensation) Act, 1914, the Injuries in War (Compensation) Act, 1914 (Session 2), and the Injuries in War (Compensation) Act, 1915, or under any War Risks Compensation Scheme for the Mercantile Marine.

It is provided that where a pension, etc., is not solely attributable to disablement or disability the relief given by the above provisions can extend only to such part thereof as is certified by the Minister of Pensions after consultation with the appropriate Government Department, to be attributable to disablement or disability.

Repayment is authorized of any tax paid in excess of the requirements. (*Finance Act*, 1919, *s.* 16.)

War Gratuities.

War gratuities as described below are exempted from income tax from the commencement of the War (4th August, 1914). They must not be regarded as income in any statement of income for income tax or super-tax purposes. Repayment is authorized

WAR GRATUITIES, PENSIONS, ETC.—(*contd.*)

in respect of any tax paid in excess of the requirements as from 1914, notwithstanding the usual three years limit.

The war gratuities in question are as follows—

Gratuities paid in respect of service in connection with the late war to members of any of the naval, military, or air forces of the Crown, or to persons who have been employed in the nursing services of any of these forces ; the benefits on demobilisation paid to officers and members of Queen Mary's Auxiliary Army Corps, the Women's Royal Naval Service and the Women's Royal Air Force ; and demobilisation payments to employees of the Joint War Committee of the British Red Cross Society and the Order of St. John of Jerusalem, England. (*F.A.*, 1919, *s.* 17.)

Allowance to War Widows in respect of Children.

Allowances granted by the Minister of Pensions under a Royal Warrant, Order in Council, or order administered by him to widows of members of the naval, military, or air forces of the Crown in respect of their children shall not be reckoned in computing the income of such widows for any of the purposes of the Income Tax Acts. (*F.A.*, 1922, *s.* 27.)

WAR SAVINGS CERTIFICATES— EXEMPTION OF ACCUMULATED INTEREST.

This exemption is provided for as regards war savings certificates issued by the Treasury through the Post Office under which the purchaser, by virtue of an immediate payment of 16s., becomes entitled to receive £1 after 5 years or £1 6s. after 10 years. The person concerned may not hold more certificates than is limited by the Treasury for the time being. (*I.T.A.*, 1918, *s.* 47.) The present limit is 500 certificates. The above exemptions is extended to all National Savings Certificates and to Ulster Savings Certificates. (*F.A.*, 1922, *s.* 10.)

WAR SECURITIES AND OTHER BRITISH GOVERNMENT STOCKS.

See table on pages 506-507.

The Finance Act, 1919, contains a provision dealing with the situation which would otherwise arise when a person who received

WAR SECURITIES AND OTHER BRITISH GOVERNMENT STOCKS

Security.	Dates Interest payable.	Inscribed or registered at Bank of England or Bank of Ireland.	*Held through Post Office*— In connection with P.O. Savings Bank Account.	*Held through Post Office*— Otherwise.	Held in Bearer form.	Whether exemption allowed to persons not ordinarily resident in United Kingdom.
Consols 2½%	5 Jan. 5 Apr. 5 July. 5 Oct.	Tax deducted if interest exceeds £5 p.a.	Tax not deducted (aggregate holding of all Stocks £500)	—	Tax deducted	No
2½% and 2¾% Annuities	do.	do.	do.	—	do.	No
Local Loans 3% Stock	do.	do.	do.	—	do.	No
2¾% and 3% Guaranteed Stocks	1 Jan. 1 July	do.	do.	—	do.	No
3½% War Stock	1 Mar. 1 Sept.	do.	do.	—	do.	No
4½% War Stock	1 June. 1 Dec.	do.	do.	Tax not deducted unless holding exceeds £200	do.	No
5% War Stock	1 June. 1 Dec.	Tax not deducted	do.	Tax not deducted	do.	Yes
4% War Stock (tax compounded)	15 Apr. 15 Oct.	—	—	—	—	—
5% Exchequer Bonds, 1919	5 Apr. 5 Oct.	Tax not deducted	—	Tax not deducted	Tax deducted	Yes
5% Exchequer Bonds, 1920	1 June. 1 Dec.	Tax deducted on 1/6/16—not since	—	Tax deducted on 1/6/16, except where aggregate holding of War Securities did not exceed £200—no deduction since	do.	Yes
5% Exchequer Bonds, 1921	5 Apr. 5 Oct.	Tax not deducted	—	Tax not deducted	do.	Yes
6% Exchequer Bonds, 1920	16 Feb. 16 Aug.	do.	—	do.	do.	Yes
5% Exchequer Bonds, 1922	1 Apr. 1 Oct.	do.	—	do.	do.	Yes
5% National War Bonds (1st Series), 1922, 1924, and 1927	1 Apr. 1 Oct.	do.	—	do.	do.	Yes
4% National War Bonds (1st Series), 1927 (tax compounded)	1 Apr. 1 Oct.	—	—	—	—	—

WAR SECURITIES AND OTHER BRITISH GOVERNMENT STOCKS—(*contd.*)

Security.	Dates Interest payable.	Inscribed or registered at Bank of England or Bank of Ireland.	*Held through Post Office*— In connection with P.O. Savings Bank Account.	*Held through Post Office*— Otherwise.	Held in Bearer form.	Whether exemption allowed to persons not ordinarily resident in United Kingdom.
5% National War Bonds (2nd Series), 1923, 1925, and 1928	1 Apr. 1 Oct.	Tax not deducted	—	Tax not deducted	Tax deducted	Yes
4% National War Bonds (2nd Series), 1928 (tax compounded), issued at par	1 Apr. 1 Oct.	—	—	—	—	—
5% National War Bonds (3rd Series), 1923, 1925, and 1928	1 Mar. 1 Sept.	Tax not deducted	—	Tax not deducted	Tax deducted	Yes
4% National War Bonds (3rd Series), 1928 (tax compounded), issued at 101⅛	1 Mar. 1 Sept.	—	—	—	—	—
5% National War Bonds (4th Series), 1924 and 1929	1 Feb. 1 Aug.	Tax deducted if held in the form of Registered Coupon Bonds—not otherwise	—	Tax not deducted	Tax deducted	Yes
4% National War Bonds (4th Series), 1929 (tax compounded), issued at 101½	1 Feb. 1 Aug.	—	—	—	—	—
4% Funding Loan, 1960–90, issued at 80	1 May. 1 Nov.	Tax deducted if interest exceeds £5 p.a. (not less than £5 p.a. prior to 6/4/16)	—	Tax not deducted	Tax deducted	Yes
4% Victory Bonds, issued at 85 . .	1 Mar. 1 Sept.	Tax deducted, including interest not exceeding £5 p.a.	—	do.	do.	Yes
5¾% Exchequer Bonds, 1925, issued at par.	1 Feb. 1 Aug.	Tax deducted	—	do.	do.	Yes
Loan under American Loan Act, 1915	Tax not deducted					Yes, if owner also not domiciled here
Treasury Bills	do.					Yes, for Bills issued after 9/3/16
Two Year War Expenditure Certificates	do.					Yes, for Certificates issued after 11/8/16
War Savings Certificates . . .	Accumulated interest not assessable and not regarded as income					

WAR SECURITIES, ETC.—(*contd.*)

untaxed interest on Government securities subsequently converts them into certain other Government securities yielding interest taxed by deduction. In such a case, the taxpayer might be required to make a return of the interest in the year subsequent to that in which it was received (see page 440) notwithstanding that in that same year he would suffer the deduction of income tax from the interest which was substituted for the untaxed interest. It is therefore provided that where the amount of the interest so returned in any income tax year exceeds the full amount of interest which would have been received for a complete year from the original securities, the taxpayer may require that the excess of the interest shall not be taken into account in ascertaining his total income for purposes of income tax and super-tax. If he so requires, the excess will be considered chargeable to income tax or super-tax at such rates, and subject to such reliefs as would be applicable, if the excess in question constituted the highest part of an income equal in amount to the amount of a total income of that individual exclusive of such excess. (*F.A.*, 1919, *s.* 25.)

The *I.T.A.*, 1918, *s.* 49, authorizes the Treasury to issue War Securities subject to the condition that the interest thereon should be paid without the deduction of tax. The *F.A.*, 1921, *s.* 27, permits the holder of any such securities to make application to the Bank of England (or the Bank of Ireland) requesting that interest shall be deducted from interest on the securities. Where such application is made then so long as the securities remain inscribed or registered in the name of the person making the application and until such time as such person withdraws the application, income tax is required to be deducted exactly as if the Income Tax Act, 1918, *s.* 49, had not applied.

Such application is required to be made on a prescribed form and it will not have effect as regards any interest payable within two months of the making of the application. The withdrawal of the notice is to be on a prescribed form, and it will not have effect as regards interest payable within two months after the date of receipt of the notice.

Where the securities concerned are held upon trust the holders of such securities may make application for the deduction of tax

WAR SECURITIES, ETC.—(*contd.*)

without the consent of any other person notwithstanding anything in the instrument creating the trust.

The securities to which this applies are—

5% War Stock.
5% Exchequer Bonds.
6% ,, ,,
5% National War Bonds (except registered coupon bonds of the Fourth Series).

WASTING ASSETS.

See under EXHAUSTION OF CAPITAL.

WATERWORKS.

The profits arising from waterworks are assessed on the amount thereof during the year preceding the year for which the assessment is made. (*I.T.A., Schedule A, No. III, Rule* 3.)

No assessment is made under Schedule A (property tax) in respect of land used for the purposes of the concern, and no deduction may be made from the company's profits in respect of rent and similar charges payable. A deduction may be made from such rent, etc., equivalent to the duty thereon at the rate of tax or proportion of several rates in force while the payment was accruing. Apart from these considerations a company owning waterworks is assessable according to the rules of Schedule D (except where such rules are not consistent with the rules of Schedule A, No. III—which they can hardly be except as stated above : *I.T.A.*, 1918, *Schedule A, No. III, Rule* 8).

See under CORPORATIONS as to the special considerations attaching to waterworks owned by local authorities which supply their own district and outside authorities with water.

WEAR AND TEAR.

See under DEPRECIATION.

WIDOW.

A widow is assessable in her own name, and in every respect stands alone, so far as income tax is concerned. In the year in which her husband died she may claim the usual allowances, etc., in respect of income accruing to her between the date of death and the

WIDOW—(*contd.*)

succeeding 5th of April, as if that income were her total income from all sources for the financial year in question. The husband's executors may make a similar claim in respect of his income from the preceding 5th of April to the date of his death, regarding his own and his wife's income for that period as being his total income for the financial year. For example—

INCOME ACCRUED FROM 6TH APRIL, 1922, TO 5TH APRIL, 1923

Husband's salary, from 5th April to 5th September—(when he died) at £240 per annum	£100
Husband's taxed dividends for the entire year—(from 5th September they belong to his widow)	60
Wife's taxed dividends for the entire year	72

CLAIM BY HUSBAND'S EXECUTORS

Salary	£100
Dividends (own)	25
„ (wife's)	30
Entitled to earned income allowance £10 and marriage allowance £225 for full year on a total income of	£155

CLAIM BY WIDOW

Total income for 7 months—	
Dividends (formerly husband's)	£35
„ (own)	42
Entitled to exemption on a total income of	£77

If the widow had earned a salary by the exercise of her own personal labour, a separate claim could be made in respect of the salary accruing within the first five months (see under HUSBAND AND WIFE), and the salary accruing during the last seven months should be included in the *Claim by Widow* shown above. Where any income is payable to a widow's trustees on her behalf, they should either make the claim to repayment (where they are trustees for all her income), or give her a written authorization to make the claim herself.

A widow who has a female relative of her own or of her deceased husband living with her for the purpose of having the care of her children (who must be eligible for the children's allowance—see under CHILDREN) may claim a deduction of £45 from her assessable income in respect of that relative. No deduction will be made, however, if some other person is receiving an allowance in respect

WIDOW—(*contd.*)

of the relative employed ; or if the relative is a married woman whose husband has been granted the marriage allowance on her account. The deduction will also be allowed where owing to circumstances the widow has been obliged to employ some other female for the purpose. The item " relative " includes any female of whom the widow had the custody and maintenance while that female was under 16 years of age.

A widow resident abroad whose late husband was in the service of the Crown is entitled to claim a proportion of the allowances and deductions which would be due to her were she resident in England. See under NON-RESIDENTS for the method of calculating the allowances, etc.

WIFE.

See under HUSBAND AND WIFE, and succeeding heading.

WIFE, ALLOWANCE FOR.

In the case of an individual whose wife is living with him, a personal allowance of £225 may be deducted from his assessable income.

Where the total income includes any earned income of the wife, an additional allowance may be claimed of nine-tenths of the wife's earnings (subject to a maximum additional allowance of £45). The effect of this provision, where the maximum additional allowance is obtained, is to secure a marriage allowance of £270, which is equivalent to twice £135 (the allowance for an unmarried person).

The full rules are set out in Chapter V.

For separate assessment of husband and wife see under HUSBAND AND WIFE.

WINDING-UP OF COMPANIES.

See under LIQUIDATION. The rule is the same.

WINDOWS.

Shop window fittings form part of the capital of a business and no charge may be made for their supply or alteration. Such smaller items as tickets, however, should be regarded as utensils of trade, and the cost of their supply may be regarded as a trade expense.

WOODLANDS.

A deer forest has been held to be assessable under Schedule B on the value according to the general rule of Schedule A, No. 1. (See under SCHEDULE A.) (*In re Middleton*, 1876.) This ruling would extend to all forests and woods. As, moreover, all land (except mines, etc.) is charged to duty under Schedule B on its annual value, land used for the cultivation of timber must be charged under this rule. The owner's profits, therefore, are charged under Schedule A on the rack-rent (see under RACK-RENT) and the occupier's profits under Schedule B on the same amount. See below for an exception, however.

Any person who occupies woodlands and manages them on a commercial basis with a view to profit may elect to be assessed under Schedule D (see under Schedule B), but his election must extend to all woodlands so managed on the same estate, and it has effect for all future years so long as the woodlands are occupied by him. The *Income Tax Act*, 1918, *Schedule B, Rule* 7, *and s.* 34, permits an application to prove the management on a commercial basis, etc., to be made either to the Special or the General (District) Commissioners but not to both in the same year. It also provides that the election need not extend to woodlands on the same estate which are planted or replanted after 19th July, 1916, provided that notice is given within ten years after the planting or replanting thereof. (*Finance Act*, 1922, *s.* 10.) The provisions of the *Income Tax Act*, 1918, *s.* 34 (page 356) are made applicable to woodlands charged under Schedule D.

WORKMEN'S COMPENSATION.

Sums paid by an employer by way of compensation to an employee for injuries sustained in the course of business, may be charged against his profits as a trade expense. Premiums paid to insurance companies in this respect are similarly allowable as deductions.

YEAR.

The financial year begins as from 6th April, and ends on 5th April. (See under ACCOUNTS as to the date to which accounts may be made up.)

INCOME TAX TABLES

NOTES ON THE USE OF THE TABLES

Mixed Incomes.

As explained in Chapter V, Earned Income is charged at the same rates as Investment Income, after the Earned Income has been reduced by one-tenth (the reduction not to exceed £200).

The tables which follow deal with incomes which are wholly "earned" and with incomes which are wholly "investment." At the foot of each page there is a note explaining how tax on mixed incomes (*i.e.*, partly earned and partly investment) may readily be calculated. The note reads as follows—

" Reduce the earned portion by one-tenth and treat the remaining income as Investment Income. N.B.—The reduction may not exeeed £200."

The following examples may further illustrate the matter.

(1) Total income £583, consisting of £330 from earned and £253 from investment sources. To calculate the income on which tax is charged, reduce £330 by one-tenth, *i.e.*, to £297, add £253, and treat the total of £550 as investment income.

(2) Total income £2,700, of which £2,400 is earned and £300 is from investment sources. To ascertain the chargeable income reduce £2,700 by the *maximum earned income relief of* £200, and treat the total remaining income of £2,500 (£2,200 plus £300) as Investment Income.

Allowances for Life Assurance, Dependent Relatives, etc.

Allowances are made in respect of life assurance premiums and dependent relatives, etc. (see Chapters V and VI). Tax on the allowances made must be deducted from the tax shown in the table as applicable to the income in question. For example—

Married man with two children, earned income . .	£400	0	0
Tax (Table on page 521)	9	0	0

He pays £15 life assurance premiums and his widowed mother lives with him. From the £9 deduct as follows—

Life assurance, £15 at 2s. 6d. Tax	£1 17 6
Widowed mother, £25 at 2s. 6d. Tax	3 2 6
Total Deductions	£5 0 0
Tax due, £9, *less* £5 = £4	

Wife's Earned Income.

See page 40 as regards an additional allowance. If the wife of the man referred to in the previous example earned £100 independently of the husband, there would be a further allowance as follows—

Married man with two children, earned income		£500 0 0
Tax (Table on page 523)		20 5 0
Less deductions as before	£5 0 0	
Additional allowance of £45 at 2s. 6d. (in respect of wife's earned income)	5 12 6	
Total deductions		10 12 6
Tax due		£9 12 6

PRACTICAL RULES FOR THESE TABLES

As the above-mentioned allowances are not always at 2s. 6d, the following practical rules may be observed as regards dependent relatives, etc., and life assurance premiums.

DEPENDENT RELATIVES, ETC., AND WIFE'S EARNED INCOME.—Find the line in the Tables applicable to the total income in question. From the Investment Income on that line deduct the amount of the allowance, so obtaining a new Investment Income, which will give the tax payable.

E.g., Income £560, all earned by a married man with 1 child and 1 dependent relative. Find line on page 524. The corresponding Investment Income is £504. Deduct £25 from this, leaving £479 Investment Income, the tax on which is found to be £27 5s.

LIFE ASSURANCE PREMIUMS.—From duty otherwise payable deduct tax on the allowable premiums at the rates stated on page 48.

PARTS OF A £

FOR USE WITH TABLES WHICH FOLLOW

TABLE I

INCOME: Wholly Investment	INCOME: Wholly Earned	Tax at 2s. 6d.
s. d.	s. d.	s. d.
8	9	1
1 4	1 6	2
2 0	2 3	3
2 8	3 0	4
3 4	3 8	5
4 0	4 5	6
4 8	5 2	7
5 4	5 11	8
6 0	6 8	9
6 8	7 5	10
7 4	8 2	11
8 0	8 11	1 0
8 8	9 7	1 1
9 4	10 4	1 2
10 0	11 1	1 3
10 8	11 10	1 4
11 4	12 7	1 5
12 0	13 4	1 6
12 8	14 1	1 7
13 4	14 10	1 8
14 0	15 7	1 9
14 8	16 4	1 10
15 4	17 0	1 11
16 0	17 9	2 0
16 8	18 6	2 1
17 4	19 3	2 2
18 0	20 0	2 3
18 8	—	2 4
19 4	—	2 5
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

TABLE II

INCOME: Wholly Investment	INCOME: Wholly Earned	Tax at 5s.
s. d.	s. d.	s. d.
4	4	1
8	9	2
1 0	1 1	3
1 4	1 6	4
1 8	1 10	5
2 0	2 3	6
2 4	2 7	7
2 8	3 0	8
3 0	3 4	9
3 4	3 8	10
3 8	4 1	11
4 0	4 5	1 0
4 4	4 10	1 1
4 8	5 2	1 2
5 0	5 7	1 3

TABLE II (*contd.*)

INCOME: Wholly Investment	INCOME: Wholly Earned	Tax at 5s.
s. d.	s. d.	s. d.
5 4	5 11	1 4
5 8	6 4	1 5
6 0	6 8	1 6
6 4	7 0	1 7
6 8	7 5	1 8
7 0	7 9	1 9
7 4	8 2	1 10
7 8	8 6	1 11
8 0	8 11	2 0
8 4	9 3	2 1
8 8	9 8	2 2
9 0	10 0	2 3
9 4	10 4	2 4
9 8	10 9	2 5
10 0	11 1	2 6
10 4	11 6	2 7
10 8	11 10	2 8
11 0	12 3	2 9
11 4	12 7	2 10
11 8	13 0	2 11
12 0	13 4	3 0
12 4	13 8	3 1
12 8	14 1	3 2
13 0	14 5	3 3
13 4	14 10	3 4
13 8	15 2	3 5
14 0	15 7	3 6
14 4	15 11	3 7
14 8	16 4	3 8
15 0	16 8	3 9
15 4	17 0	3 10
15 8	17 5	3 11
16 0	17 9	4 0
16 4	18 2	4 1
16 8	18 6	4 2
17 0	18 11	4 3
17 4	19 3	4 4
17 8	19 8	4 5
18 0	20 0	4 6
18 4	—	4 7
18 8	—	4 8
19 0	—	4 9
19 4	—	4 10
19 8	—	4 11
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

INCOME.			TAX.					
Wholly Invest-ment	Wholly Earned		Single.	Married.				
				No Children.	1 Child.	2 Children.	3 Children.	4 Children.
£	£	s.	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d
135	150	0						
136	151	2	2 6					
137	152	4	5 0					
138	153	7	7 6					
139	154	9	10 0					
140	155	11	12 6					
141	156	13	15 0					
142	157	16	17 6					
143	158	18	1 0 0					
144	160	0	1 2 6					
145	161	2	1 5 0					
146	162	4	1 7 6					
147	163	7	1 10 0					
148	164	9	1 12 6					
149	165	11	1 15 0					
150	166	13	1 17 6					
151	167	16	2 0 0					
152	168	18	2 2 6					
153	170	0	2 5 0					
154	171	2	2 7 6					
155	172	4	2 10 0					
156	173	7	2 12 6					
157	174	9	2 15 0					
158	175	11	2 17 6					
159	176	13	3 0 0					
160	177	16	3 2 6					
161	178	18	3 5 0					
162	180	0	3 7 6					
163	181	2	3 10 0					
164	182	4	3 12 6					
165	183	7	3 15 0					
166	184	9	3 17 6					
167	185	11	4 0 0					
168	186	13	4 2 6					
169	187	16	4 5 0					
170	188	18	4 7 6					
171	190	0	4 10 0					
172	191	2	4 12 6					
173	192	4	4 15 0					
174	193	7	4 17 6					
175	194	9	5 0 0					
176	195	11	5 2 6					

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table I, page 515.

INCOME.		TAX.					
Wholly Investment	Wholly Earned	Single.	Married.				
			No Children.	1 Child.	2 Children.	3 Children.	4 Children.
£	£ s.	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d
177	196 13	5 5 0					
178	197 16	5 7 6					
179	198 18	5 10 0					
180	200 0	5 12 6					
181	201 2	5 15 0					
182	202 4	5 17 6					
183	203 7	6 0 0					
184	204 9	6 2 6					
185	205 11	6 5 0					
186	206 13	6 7 6					
187	207 16	6 10 0					
188	208 18	6 12 6					
189	210 0	6 15 0					
190	211 2	6 17 6					
191	212 4	7 0 0					
192	213 7	7 2 6					
193	214 9	7 5 0					
194	215 11	7 7 6					
195	216 13	7 10 0					
196	217 16	7 12 6					
197	218 18	7 15 0					
198	220 0	7 17 6					
199	221 2	8 0 0					
200	222 4	8 2 6					
201	223 7	8 5 0					
202	224 9	8 7 6					
203	225 11	8 10 0					
204	226 13	8 12 6					
205	227 16	8 15 0					
206	228 18	8 17 6					
207	230 0	9 0 0					
208	231 2	9 2 6					
209	232 4	9 5 0					
210	233 7	9 7 6					
211	234 9	9 10 0					
212	235 11	9 12 6					
213	236 13	9 15 0					
214	237 16	9 17 6					
215	238 18	10 0 0					
216	240 0	10 2 6					
217	241 2	10 5 0					
218	242 4	10 7 6					

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £. Add as in Table I, page 515.

INCOME.		TAX.					
			MARRIED.				
Wholly Investment	Wholly Earned	SINGLE.	No Children.	1 Child.	2 Children.	3 Children.	4 Children.
£	£ s.	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d
219	243 7	10 10 0					
220	244 9	10 12 6					
221	245 11	10 15 0					
222	246 13	10 17 6					
223	247 16	11 0 0					
224	248 18	11 2 6					
225	250 0	11 5 0					
226	251 2	11 7 6	2 6				
227	252 4	11 10 0	5 0				
228	253 7	11 12 6	7 6				
229	254 9	11 15 0	10 0				
230	255 11	11 17 6	12 6				
231	256 13	12 0 0	15 0				
232	257 16	12 2 6	17 6				
233	258 18	12 5 0	1 0 0				
234	260 0	12 7 6	1 2 6				
235	261 2	12 10 0	1 5 0				
236	262 4	12 12 6	1 7 6				
237	263 7	12 15 0	1 10 0				
238	264 9	12 17 6	1 12 6				
239	265 11	13 0 0	1 15 0				
240	266 13	13 2 6	1 17 6				
241	267 16	13 5 0	2 0 0				
242	268 18	13 7 6	2 2 6				
243	270 0	13 10 0	2 5 0				
244	271 2	13 12 6	2 7 6				
245	272 4	13 15 0	2 10 0				
246	273 7	13 17 6	2 12 6				
247	274 9	14 0 0	2 15 0				
248	275 11	14 2 6	2 17 6				
249	276 13	14 5 0	3 0 0				
250	277 16	14 7 6	3 2 6				
251	278 18	14 10 0	3 5 0				
252	280 0	14 12 6	3 7 6				
253	281 2	14 15 0	3 10 0				
254	282 4	14 17 6	3 12 6				
255	283 7	15 0 0	3 15 0				
256	284 9	15 2 6	3 17 6				
257	285 11	15 5 0	4 0 0				
258	286 13	15 7 6	4 2 6				
259	287 16	15 10 0	4 5 0				
260	288 18	15 12 6	4 7 6				

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £. Add as in Table I, page 515.

INCOME.		TAX									
Wholly Investment	Wholly Earned	Single.	Married.								
			No Children.		1 Child.		2 Children.		3 Children.		4 Children.
£	£ s.	£ s. d	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d
261	290 0	15 15 0	4 10 0								
262	291 2	15 17 6	4 12 6		2 6						
263	292 4	16 0 0	4 15 0		5 0						
264	293 7	16 2 6	4 17 6		7 6						
265	294 9	16 5 0	5 0 0		10 0						
266	295 11	16 7 6	5 2 6		12 6						
267	296 13	16 10 0	5 5 0		15 0						
268	297 16	16 12 6	5 7 6		17 6						
269	298 18	16 15 0	5 10 0		1 0 0						
270	300 0	16 17 6	5 12 6		1 2 6						
271	301 2	17 0 0	5 15 0		1 5 0						
272	302 4	17 2 6	5 17 6		1 7 6						
273	303 7	17 5 0	6 0 0		1 10 0						
274	304 9	17 7 6	6 2 6		1 12 6						
275	305 11	17 10 0	6 5 0		1 15 0						
276	306 13	17 12 6	6 7 6		1 17 6						
277	307 16	17 15 0	6 10 0		2 0 0						
278	308 18	17 17 6	6 12 6		2 2 6						
279	310 0	18 0 0	6 15 0		2 5 0						
280	311 2	18 2 6	6 17 6		2 7 6						
281	312 4	18 5 0	7 0 0		2 10 0						
282	313 7	18 7 6	7 2 6		2 12 6						
283	314 9	18 10 0	7 5 0		2 15 0						
284	315 11	18 12 6	7 7 6		2 17 6						
285	316 13	18 15 0	7 10 0		3 0 0						
286	317 16	18 17 6	7 12 6		3 2 6						
287	318 18	19 0 0	7 15 0		3 5 0						
288	320 0	19 2 6	7 17 6		3 7 6						
289	321 2	19 5 0	8 0 0		3 10 0		2 6				
290	322 4	19 7 6	8 2 6		3 12 6		5 0				
291	323 7	19 10 0	8 5 0		3 15 0		7 6				
292	324 9	19 12 6	8 7 6		3 17 6		10 0				
293	325 11	19 15 0	8 10 0		4 0 0		12 6				
294	326 13	19 17 6	8 12 6		4 2 6		15 0				
295	327 16	20 0 0	8 15 0		4 5 0		17 6				
296	328 18	20 2 6	8 17 6		4 7 6		1 0 0				
297	330 0	20 5 0	9 0 0		4 10 0		1 2 6				
298	331 2	20 7 6	9 2 6		4 12 6		1 5 0				
299	332 4	20 10 0	9 5 0		4 15 0		1 7 6				
300	333 7	20 12 6	9 7 6		4 17 6		1 10 0				
301	334 9	20 15 0	9 10 0		5 0 0		1 12 6				
302	335 11	20 17 6	9 12 6		5 2 6		1 15 0				

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £. Add as in Table I, page 515.

INCOME.		TAX.											
Wholly Invest-ment	Wholly Earned	Single.		Married.									
				No Children.		1 Child.		2 Children.		3 Children.		4 Children.	
£	£ s.	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d		£ s. d	
303	336 13	21 0 0		9 15 0		5 5 0		1 17 6					
304	337 16	21 2 6		9 17 6		5 7 6		2 0 0					
305	338 18	21 5 0		10 0 0		5 10 0		2 2 6					
306	340 0	21 7 6		10 2 6		5 12 6		2 5 0					
307	341 2	21 10 0		10 5 0		5 15 0		2 7 6					
308	342 4	21 12 6		10 7 6		5 17 6		2 10 0					
309	343 7	21 15 0		10 10 0		6 0 0		2 12 6					
310	344 9	21 17 6		10 12 6		6 2 6		2 15 0					
311	345 11	22 0 0		10 15 0		6 5 0		2 17 6					
312	346 13	22 2 6		10 17 6		6 7 6		3 0 0					
313	347 16	22 5 0		11 0 0		6 10 0		3 2 6					
314	348 18	22 7 6		11 2 6		6 12 6		3 5 0					
315	350 0	22 10 0		11 5 0		6 15 0		3 7 6					
316	351 2	22 12 6		11 7 6		6 17 6		3 10 0		2 6			
317	352 4	22 15 0		11 10 0		7 0 0		3 12 6		5 0			
318	353 7	22 17 6		11 12 6		7 2 6		3 15 0		7 6			
319	354 9	23 0 0		11 15 0		7 5 0		3 17 6		10 0			
320	355 11	23 2 6		11 17 6		7 7 6		4 0 0		12 6			
321	356 13	23 5 0		12 0 0		7 10 0		4 2 6		15 0			
322	357 16	23 7 6		12 2 6		7 12 6		4 5 0		17 6			
323	358 18	23 10 0		12 5 0		7 15 0		4 7 6		1 0 0			
324	360 0	23 12 6		12 7 6		7 17 6		4 10 0		1 2 6			
325	361 2	23 15 0		12 10 0		8 0 0		4 12 6		1 5 0			
326	362 4	23 17 6		12 12 6		8 2 6		4 15 0		1 7 6			
327	363 7	24 0 0		12 15 0		8 5 0		4 17 6		1 10 0			
328	364 9	24 2 6		12 17 6		8 7 6		5 0 0		1 12 6			
329	365 11	24 5 0		13 0 0		8 10 0		5 2 6		1 15 0			
330	366 13	24 7 6		13 2 6		8 12 6		5 5 0		1 17 6			
331	367 16	24 10 0		13 5 0		8 15 0		5 7 6		2 0 0			
332	368 18	24 12 6		13 7 6		8 17 6		5 10 0		2 2 6			
333	370 0	24 15 0		13 10 0		9 0 0		5 12 6		2 5 0			
334	371 2	24 17 6		13 12 6		9 2 6		5 15 0		2 7 6			
335	372 4	25 0 0		13 15 0		9 5 0		5 17 6		2 10 0			
336	373 7	25 2 6		13 17 6		9 7 6		6 0 0		2 12 6			
337	374 9	25 5 0		14 0 0		9 10 0		6 2 6		2 15 0			
338	375 11	25 7 6		14 2 6		9 12 6		6 5 0		2 17 6			
339	376 13	25 10 0		14 5 0		9 15 0		6 7 6		3 0 0			
340	377 16	25 12 6		14 7 6		9 17 6		6 10 0		3 2 6			
341	378 18	25 15 0		14 10 0		10 0 0		6 12 6		3 5 0			
342	380 0	25 17 6		14 12 6		10 2 6		6 15 0		3 7 6			
343	381 2	26 0 0		14 15 0		10 5 0		6 17 6		3 10 0		2 6	
344	382 4	26 2 6		14 17 6		10 7 6		7 0 0		3 12 6		5 0	

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth, and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £. Add as in Table I, page 515.

INCOME.		TAX.											
Wholly Invest-ment	Wholly Earned	SINGLE.	MARRIED.										
			No Children.		1 Child.		2 Children.		3 Children.		4 Children.		
£	£ s.	£ s. d	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d		
345	383 7	26 5 0	15 0 0		10 10 0		7 2 6		3 15 0		7 6		
346	384 9	26 7 6	15 2 6		10 12 6		7 5 0		3 17 6		10 0		
347	385 11	26 10 0	15 5 0		10 15 0		7 7 6		4 0 0		12 6		
348	386 13	26 12 6	15 7 6		10 17 6		7 10 0		4 2 6		15 0		
349	387 16	26 15 0	15 10 0		11 0 0		7 12 6		4 5 0		17 6		
350	388 18	26 17 6	15 12 6		11 2 6		7 15 0		4 7 6		1 0 0		
351	390 0	27 0 0	15 15 0		11 5 0		7 17 6		4 10 0		1 2 6		
352	391 2	27 2 6	15 17 6		11 7 6		8 0 0		4 12 6		1 5 0		
353	392 4	27 5 0	16 0 0		11 10 0		8 2 6		4 15 0		1 7 6		
354	393 7	27 7 6	16 2 6		11 12 6		8 5 0		4 17 6		1 10 0		
355	394 9	27 10 0	16 5 0		11 15 0		8 7 6		5 0 0		1 12 6		
356	395 11	27 12 6	16 7 6		11 17 6		8 10 0		5 2 6		1 15 0		
357	396 13	27 15 0	16 10 0		12 0 0		8 12 6		5 5 0		1 17 6		
358	397 16	27 17 6	16 12 6		12 2 6		8 15 0		5 7 6		2 0 0		
359	398 18	28 0 0	16 15 0		12 5 0		8 17 6		5 10 0		2 2 6		
360	400 0	28 2 6	16 17 6		12 7 6		9 0 0		5 12 6		2 5 0		
361	401 2	*28 7 6	17 0 0		12 10 0		9 2 6		5 15 0		2 7 6		
362	402 4	28 12 6	17 2 6		12 12 6		9 5 0		5 17 6		2 10 0		
363	403 7	28 17 6	17 5 0		12 15 0		9 7 6		6 0 0		2 12 6		
364	404 9	29 2 6	17 7 6		12 17 6		9 10 0		6 2 6		2 15 0		
365	405 11	29 7 6	17 10 0		13 0 0		9 12 6		6 5 0		2 17 6		
366	406 13	29 12 6	17 12 6		13 2 6		9 15 0		6 7 6		3 0 0		
367	407 16	29 17 6	17 15 0		13 5 0		9 17 6		6 10 0		3 2 6		
368	408 18	30 2 6	17 17 6		13 7 6		10 0 0		6 12 6		3 5 0		
369	410 0	30 7 6	18 0 0		13 10 0		10 2 6		6 15 0		3 7 6		
370	411 2	30 12 6	18 2 6		13 12 6		10 5 0		6 17 6		3 10 0		
371	412 4	30 17 6	18 5 0		13 15 0		10 7 6		7 0 0		3 12 6		
372	413 7	31 2 6	18 7 6		13 17 6		10 10 0		7 2 6		3 15 0		
373	414 9	31 7 6	18 10 0		14 0 0		10 12 6		7 5 0		3 17 6		
374	415 11	31 12 6	18 12 6		14 2 6		10 15 0		7 7 6		4 0 0		
375	416 13	31 17 6	18 15 0		14 5 0		10 17 6		7 10 0		4 2 6		
376	417 16	32 2 6	18 17 6		14 7 6		11 0 0		7 12 6		4 5 0		
377	418 18	32 7 6	19 0 0		14 10 0		11 2 6		7 15 0		4 7 6		
378	420 0	32 12 6	19 2 6		14 12 6		11 5 0		7 17 6		4 10 0		
379	421 2	32 17 6	19 5 0		14 15 0		11 7 6		8 0 0		4 12 6		
380	422 4	33 2 6	19 7 6		14 17 6		11 10 0		8 2 6		4 15 0		
381	423 7	33 7 6	19 10 0		15 0 0		11 12 6		8 5 0		4 17 6		
382	424 9	33 12 6	19 12 6		15 2 6		11 15 0		8 7 6		5 0 0		
383	425 11	33 17 6	19 15 0		15 5 0		11 17 6		8 10 0		5 2 6		
384	426 13	34 2 6	19 17 6		15 7 6		12 0 0		8 12 6		5 5 0		
385	427 16	34 7 6	20 0 0		15 10 0		12 2 6		8 15 0		5 7 6		
386	428 18	34 12 6	*20 2 6		15 12 6		12 5 0		8 17 6		5 10 0		

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £. Above and to the right of line *—* add as in Table I page 515. Beneath and to the left of line *—* add as in Table II, page 515.

INCOME.		TAX.											
Wholly Investment	Wholly Earned	Single.	Married.										
			No Children.		1 Child.		2 Children.		3 Children.		4 Children.		
£	£ s.	£ s. d	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d		
387	430 0	34 17 6	20 5 0		15 15 0		12 7 6		9 0 0		5 12 6		
388	431 2	35 2 6	20 7 6		15 17 6		12 10 0		9 2 6		5 15 0		
389	432 4	35 7 6	20 10 0		16 0 0		12 12 6		9 5 0		5 17 6		
390	433 7	35 12 6	20 12 6		16 2 6		12 15 0		9 7 6		6 0 0		
391	434 9	35 17 6	20 15 0		16 5 0		12 17 6		9 10 0		6 2 6		
392	435 11	36 2 6	20 17 6		16 7 6		13 0 0		9 12 6		6 5 0		
393	436 13	36 7 6	21 0 0		16 10 0		13 2 6		9 15 0		6 7 6		
394	437 16	36 12 6	21 2 6		16 12 6		13 5 0		9 17 6		6 10 0		
395	438 18	36 17 6	21 5 0		16 15 0		13 7 6		10 0 0		6 12 6		
396	440 0	37 2 6	21 7 6		16 17 6		13 10 0		10 2 6		6 15 0		
397	441 2	37 7 6	21 10 0		17 0 0		13 12 6		10 5 0		6 17 6		
398	442 4	37 12 6	21 12 6		17 2 6		13 15 0		10 7 6		7 0 0		
399	443 7	37 17 6	21 15 0		17 5 0		13 17 6		10 10 0		7 2 6		
400	444 9	38 2 6	21 17 6		17 7 6		14 0 0		10 12 6		7 5 0		
401	445 11	38 7 6	22 0 0		17 10 0		14 2 6		10 15 0		7 7 6		
402	446 13	38 12 6	22 2 6		17 12 6		14 5 0		10 17 6		7 10 0		
403	447 16	38 17 6	22 5 0		17 15 0		14 7 6		11 0 0		7 12 6		
404	448 18	39 2 6	22 7 6		17 17 6		14 10 0		11 2 6		7 15 0		
405	450 0	39 7 6	22 10 0		18 0 0		14 12 6		11 5 0		7 17 6		
406	451 2	39 12 6	22 12 6		18 2 6		14 15 0		11 7 6		8 0 0		
407	452 4	39 17 6	22 15 0		18 5 0		14 17 6		11 10 0		8 2 6		
408	453 7	40 2 6	22 17 6		18 7 6		15 0 0		11 12 6		8 5 0		
409	454 9	40 7 6	23 0 0		18 10 0		15 2 6		11 15 0		8 7 6		
410	455 11	40 12 6	23 2 6		18 12 6		15 5 0		11 17 6		8 10 0		
411	456 13	40 17 6	23 5 0		18 15 0		15 7 6		12 0 0		8 12 6		
412	457 16	41 2 6	23 7 6		18 17 6		15 10 0		12 2 6		8 15 0		
413	458 18	41 7 6	23 10 0		19 0 0		15 12 6		12 5 0		8 17 6		
414	460 0	41 12 6	23 12 6		19 2 6		15 15 0		12 7 6		9 0 0		
415	461 2	41 17 6	23 15 0		19 5 0		15 17 6		12 10 0		9 2 6		
416	462 4	42 2 6	23 17 6		19 7 6		16 0 0		12 12 6		9 5 0		
417	463 7	42 7 6	24 0 0		19 10 0		16 2 6		12 15 0		9 7 6		
418	464 9	42 12 6	24 2 6		19 12 6		16 5 0		12 17 6		9 10 0		
419	465 11	42 17 6	24 5 0		19 15 0		16 7 6		13 0 0		9 12 6		
420	466 13	43 2 6	24 7 6		19 17 6		16 10 0		13 2 6		9 15 0		
421	467 16	43 7 6	24 10 0		20 0 0		16 12 6		13 5 0		9 17 6		
422	468 18	43 12 6	24 12 6		20 2 6		16 15 0		13 7 6		10 0 0		
423	470 0	43 17 6	24 15 0		20 5 0		16 17 6		13 10 0		10 2 6		
424	471 2	44 2 6	24 17 6		20 7 6		17 0 0		13 12 6		10 5 0		
425	472 4	44 7 6	25 0 0		20 10 0		17 2 6		13 15 0		10 7 6		
426	473 7	44 12 6	25 2 6		20 12 6		17 5 0		13 17 6		10 10 0		
427	474 9	44 17 6	25 5 0		20 15 0		17 7 6		14 0 0		10 12 6		
428	475 11	45 2 6*	25 7 6		20 17 6		17 10 0		14 2 6		10 15 0		

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 131). N.B.—The reduction may not exceed £200.

Parts of a £.—To the right of line *—* add as in Table I, page 513. To the left of line *—* add as in Table II page 515.

INCOME.		TAX.									
Wholly Investment	Wholly Earned	Single.	Married.								
			No Children.		1 Child.		2 Children.		3 Children.		4 Children.	
£	£ s.	£ s. d*	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d	
429	476 13	45 7 6	25 10 0		21 0 0		17 12 6		14 5 0		10 17 6	
430	477 16	45 12 6	25 12 6		21 2 6		17 15 0		14 7 6		11 0 0	
431	478 18	45 17 6	25 15 0		21 5 0		17 17 6		14 10 0		11 2 6	
432	480 0	46 2 6	25 17 6		21 7 6		18 0 0		14 12 6		11 5 0	
433	481 2	46 7 6	26 0 0		21 10 0		18 2 6		14 15 0		11 7 6	
434	482 4	46 12 6	26 2 6		21 12 6		18 5 0		14 17 6		11 10 0	
435	483 7	46 17 6	26 5 0		21 15 0		18 7 6		15 0 0		11 12 6	
436	484 9	47 2 6	26 7 6		21 17 6		18 10 0		15 2 6		11 15 0	
437	485 11	47 7 6	26 10 0		22 0 0		18 12 6		15 5 0		11 17 6	
438	486 13	47 12 6	26 12 6		22 2 6		18 15 0		15 7 6		12 0 0	
439	487 16	47 17 6	26 15 0		22 5 0		18 17 6		15 10 0		12 2 6	
440	488 18	48 2 6	26 17 6		22 7 6		19 0 0		15 12 6		12 5 0	
441	490 0	48 7 6	27 0 0		22 10 0		19 2 6		15 15 0		12 7 6	
442	491 2	48 12 6	27 2 6		22 12 6		19 5 0		15 17 6		12 10 0	
443	492 4	48 17 6	27 5 0		22 15 0		19 7 6		16 0 0		12 12 6	
444	493 7	49 2 6	27 7 6		22 17 6		19 10 0		16 2 6		12 15 0	
445	494 9	49 7 6	27 10 0		23 0 0		19 12 6		16 5 0		12 17 6	
446	495 11	49 12 6	27 12 6		23 2 6		19 15 0		16 7 6		13 0 0	
447	496 13	49 17 6	27 15 0		23 5 0		19 17 6		16 10 0		13 2 6	
448	497 16	50 2 6	27 17 6		23 7 6		20 0 0		16 12 6		13 5 0	
449	498 18	50 7 6	28 0 0		23 10 0		20 2 6		16 15 0		13 7 6	
450	500 0	50 12 6	28 2 6		23 12 6		20 5 0		16 17 6		13 10 0	
451	501 2	50 17 6	28 7 6		23 15 0		20 7 6		17 0 0		13 12 6	
452	502 4	51 2 6	28 12 6		23 17 6		20 10 0		17 2 6		13 15 0	
453	503 7	51 7 6	28 17 6		24 0 0		20 12 6		17 5 0		13 17 6	
454	504 9	51 12 6	29 2 6		24 2 6		20 15 0		17 7 6		14 0 0	
455	505 11	51 17 6	29 7 6		24 5 0		20 17 6		17 10 0		14 2 6	
456	506 13	52 2 6	29 12 6		24 7 6		21 0 0		17 12 6		14 5 0	
457	507 16	52 7 6	29 17 6		24 10 0		21 2 6		17 15 0		14 7 6	
458	508 18	52 12 6	30 2 6		24 12 6		21 5 0		17 17 6		14 10 0	
459	510 0	52 17 6	30 7 6		24 15 0		21 7 6		18 0 0		14 12 6	
460	511 2	53 2 6	30 12 6		24 17 6		21 10 0		18 2 6		14 15 0	
461	512 4	53 7 6	30 17 6		25 0 0		21 12 6		18 5 0		14 17 6	
462	513 7	53 12 6	31 2 6		25 2 6		21 15 0		18 7 6		15 0 0	
463	514 9	53 17 6	31 7 6		25 5 0		21 17 6		18 10 0		15 2 6	
464	515 11	54 2 6	31 12 6		25 7 6		22 0 0		18 12 6		15 5 0	
465	516 13	54 7 6	31 17 6		25 10 0		22 2 6		18 15 0		15 7 6	
466	517 16	54 12 6	32 2 6		25 12 6		22 5 0		18 17 6		15 10 0	
467	518 18	54 17 6	32 7 6		25 15 0		22 7 6		19 0 0		15 12 6	
468	520 0	55 2 6	32 12 6		25 17 6		22 10 0		19 2 6		15 15 0	
469	521 2	55 7 6	32 17 6		26 0 0		22 12 6		19 5 0		15 17 6	
470	522 4	55 12 6	33 2 6	*	26 2 6		22 15 0		19 7 6		16 0 0	

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—To the right of line *—* add as in Table I, page 515. To the left of line *—* add as in Table II, page 515.

INCOME.		TAX.															
Wholly Investment	Wholly Earned	SINGLE.			MARRIED.												
					No Children.			1 Child.			2 Children.			3 Children.			4 Children.	
£	£ s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s. d
471	523 7	55	17	6	33	7	6	26	5	0	22	17	6	19	10	0	16	2 6
472	524 9	56	2	6	33	12	6	26	7	6	23	0	0	19	12	6	16	5 0
473	525 11	56	7	6	33	17	6	26	10	0	23	2	6	19	15	0	16	7 6
474	526 13	56	12	6	34	2	6	26	12	6	23	5	0	19	17	6	16	10 0
475	527 16	56	17	6	34	7	6	26	15	0	23	7	6	20	0	0	16	12 6
476	528 18	57	2	6	34	12	6	26	17	6	23	10	0	20	2	6	16	15 0
477	530 0	57	7	6	34	17	6	27	0	0	23	12	6	20	5	0	16	17 6
478	531 2	57	12	6	35	2	6	27	2	6	23	15	0	20	7	6	17	0 0
479	532 4	57	17	6	35	7	6	27	5	0	23	17	6	20	10	0	17	2 6
480	533 7	58	2	6	35	12	6	27	7	6	24	0	0	20	12	6	17	5 0
481	534 9	58	7	6	35	17	6	27	10	0	24	2	6	20	15	0	17	7 6
482	535 11	58	12	6	36	2	6	27	12	6	24	5	0	20	17	6	17	10 0
483	536 13	58	17	6	36	7	6	27	15	0	24	7	6	21	0	0	17	12 6
484	537 16	59	2	6	36	12	6	27	17	6	24	10	0	21	2	6	17	15 0
485	538 18	59	7	6	36	17	6	28	0	0	24	12	6	21	5	0	17	17 6
486	540 0	59	12	6	37	2	6	28	2	6	24	15	0	21	7	6	18	0 0
487	541 2	59	17	6	37	7	6	28	7	6	24	17	6	21	10	0	18	2 6
488	542 4	60	2	6	37	12	6	28	12	6	25	0	0	21	12	6	18	5 0
489	543 7	60	7	6	37	17	6	28	17	6	25	2	6	21	15	0	18	7 6
490	544 9	60	12	6	38	2	6	29	2	6	25	5	0	21	17	6	18	10 0
491	545 11	60	17	6	38	7	6	29	7	6	25	7	6	22	0	0	18	12 6
492	546 13	61	2	6	38	12	6	29	12	6	25	10	0	22	2	6	18	15 0
493	547 16	61	7	6	38	17	6	29	17	6	25	12	6	22	5	0	18	17 6
494	548 18	61	12	6	39	2	6	30	2	6	25	15	0	22	7	6	19	0 0
495	550 0	61	17	6	39	7	6	30	7	6	25	17	6	22	10	0	19	2 6
496	551 2	62	2	6	39	12	6	30	12	6	26	0	0	22	12	6	19	5 0
497	552 4	62	7	6	39	17	6	30	17	6	26	2	6	22	15	0	19	7 6
498	553 7	62	12	6	40	2	6	31	2	6	26	5	0	22	17	6	19	10 0
499	554 9	62	17	6	40	7	6	31	7	6	26	7	6	23	0	0	19	12 6
500	555 11	63	2	6	40	12	6	31	12	6	26	10	0	23	2	6	19	15 0
501	556 13	63	7	6	40	17	6	31	17	6	26	12	6	23	5	0	19	17 6
502	557 16	63	12	6	41	2	6	32	2	6	26	15	0	23	7	6	20	0 0
503	558 18	63	17	6	41	7	6	32	7	6	26	17	6	23	10	0	20	2 6
504	560 0	64	2	6	41	12	6	32	12	6	27	0	0	23	12	6	20	5 0
505	561 2	64	7	6	41	17	6	32	17	6	27	2	6	23	15	0	20	7 6
506	562 4	64	12	6	42	2	6	33	2	6	27	5	0	23	17	6	20	10 0
507	563 7	64	17	6	42	7	6	33	7	6	27	7	6	24	0	0	20	12 6
508	564 9	65	2	6	42	12	6	33	12	6	27	10	0	24	2	6	20	15 0
509	565 11	65	7	6	42	17	6	33	17	6	27	12	6	24	5	0	20	17 6
510	566 13	65	12	6	43	2	6	34	2	6	27	15	0	24	7	6	21	0 0
511	567 16	65	17	6	43	7	6	34	7	6	27	17	6	24	10	0	21	2 6
512	568 18	66	2	6	43	12	6	34	12	6*	28	0	0	24	12	6	21	5 0

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—To the right of line *—* add as in Table I, page 515. To the left of line *—* add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		Single.			Married.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
513	570	0	66	7	6	43	17	6	34	17	6	28	2	6	24	15	0	21	7	6
514	571	2	66	12	6	44	2	6	35	2	6	28	7	6	24	17	6	21	10	0
515	572	4	66	17	6	44	7	6	35	7	6	28	12	6	25	0	0	21	12	6
516	573	7	67	2	6	44	12	6	35	12	6	28	17	6	25	2	6	21	15	0
517	574	9	67	7	6	44	17	6	35	17	6	29	2	6	25	5	0	21	17	6
518	575	11	67	12	6	45	2	6	36	2	6	29	7	6	25	7	6	22	0	0
519	576	13	67	17	6	45	7	6	36	7	6	29	12	6	25	10	0	22	2	6
520	577	16	68	2	6	45	12	6	36	12	6	29	17	6	25	12	6	22	5	0
521	578	18	68	7	6	45	17	6	36	17	6	30	2	6	25	15	0	22	7	6
522	580	0	68	12	6	46	2	6	37	2	6	30	7	6	25	17	6	22	10	0
523	581	2	68	17	6	46	7	6	37	7	6	30	12	6	26	0	0	22	12	6
524	582	4	69	2	6	46	12	6	37	12	6	30	17	6	26	2	6	22	15	0
525	583	7	69	7	6	46	17	6	37	17	6	31	2	6	26	5	0	22	17	6
526	584	9	69	12	6	47	2	6	38	2	6	31	7	6	26	7	6	23	0	0
527	585	11	69	17	6	47	7	6	38	7	6	31	12	6	26	10	0	23	2	6
528	586	13	70	2	6	47	12	6	38	12	6	31	17	6	26	12	6	23	5	0
529	587	16	70	7	6	47	17	6	38	17	6	32	2	6	26	15	0	23	7	6
530	588	18	70	12	6	48	2	6	39	2	6	32	7	6	26	17	6	23	10	0
531	590	0	70	17	6	48	7	6	39	7	6	32	12	6	27	0	0	23	12	6
532	591	2	71	2	6	48	12	6	39	12	6	32	17	6	27	2	6	23	15	0
533	592	4	71	7	6	48	17	6	39	17	6	33	2	6	27	5	0	23	17	6
534	593	7	71	12	6	49	2	6	40	2	6	33	7	6	27	7	6	24	0	0
535	594	9	71	17	6	49	7	6	40	7	6	33	12	6	27	10	0	24	2	6
536	595	11	72	2	6	49	12	6	40	12	6	33	17	6	27	12	6	24	5	0
537	596	13	72	7	6	49	17	6	40	17	6	34	2	6	27	15	0	24	7	6
538	597	16	72	12	6	50	2	6	41	2	6	34	7	6	27	17	6	24	10	0
539	598	18	72	17	6	50	7	6	41	7	6	34	12	6	28	0	0	24	12	6
540	600	0	73	2	6	50	12	6	41	12	6	34	17	6	28	2	6	24	15	0
541	601	2	73	7	6	50	17	6	41	17	6	35	2	6	28	7	6	24	17	6
542	602	4	73	12	6	51	2	6	42	2	6	35	7	6	28	12	6	25	0	0
543	603	7	73	17	6	51	7	6	42	7	6	35	12	6	28	17	6	25	2	6
544	604	9	74	2	6	51	12	6	42	12	6	35	17	6	29	2	6	25	5	0
545	605	11	74	7	6	51	17	6	42	17	6	36	2	6	29	7	6	25	7	6
546	606	13	74	12	6	52	2	6	43	2	6	36	7	6	29	12	6	25	10	0
547	607	16	74	17	6	52	7	6	43	7	6	36	12	6	29	17	6	25	12	6
548	608	18	75	2	6	52	12	6	43	12	6	36	17	6	30	2	6	25	15	0
549	610	0	75	7	6	52	17	6	43	17	6	37	2	6	30	7	6	25	17	6
550	611	2	75	12	6	53	2	6	44	2	6	37	7	6	30	12	6	26	0	0
551	612	4	75	17	6	53	7	6	44	7	6	37	12	6	30	17	6	26	2	6
552	613	7	76	2	6	53	12	6	44	12	6	37	17	6	31	2	6	26	5	0
553	614	9	76	7	6	53	17	6	44	17	6	38	2	6	31	7	6	26	7	6
554	615	11	76	12	6	54	2	6	45	2	6	38	7	6	31	12	6*	26	10	0

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—To the right of line *—* add as in Table I, page 515. To the left of line *—* add as in Table II, page 515.

INCOME.		TAX.																	
Wholly Investment	Wholly Earned	Single.			Married.														
					No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d*	£	s.	d
555	616	13	76	17	6	54	7	6	45	7	6	38	12	6	31	17	6	26	12	6
556	617	16	77	2	6	54	12	6	45	12	6	38	17	6	32	2	6	26	15	0
557	618	18	77	7	6	54	17	6	45	17	6	39	2	6	32	7	6	26	17	6
558	620	0	77	12	6	55	2	6	46	2	6	39	7	6	32	12	6	27	0	0
559	621	2	77	17	6	55	7	6	46	7	6	39	12	6	32	17	6	27	2	6
560	622	4	78	2	6	55	12	6	46	12	6	39	17	6	33	2	6	27	5	0
561	623	7	78	7	6	55	17	6	46	17	6	40	2	6	33	7	6	27	7	6
562	624	9	78	12	6	56	2	6	47	2	6	40	7	6	33	12	6	27	10	0
563	625	11	78	17	6	56	7	6	47	7	6	40	12	6	33	17	6	27	12	6
564	626	13	79	2	6	56	12	6	47	12	6	40	17	6	34	2	6	27	15	0
565	627	16	79	7	6	56	17	6	47	17	6	41	2	6	34	7	6	27	17	6
566	628	18	79	12	6	57	2	6	48	2	6	41	7	6	34	12	6	28	0	0
567	630	0	79	17	6	57	7	6	48	7	6	41	12	6	34	17	6	28	2	6
568	631	2	80	2	6	57	12	6	48	12	6	41	17	6	35	2	6	28	7	6*
569	632	4	80	7	6	57	17	6	48	17	6	42	2	6	35	7	6	28	12	6
570	633	7	80	12	6	58	2	6	49	2	6	42	7	6	35	12	6	28	17	6
571	634	9	80	17	6	58	7	6	49	7	6	42	12	6	35	17	6	29	2	6
572	635	11	81	2	6	58	12	6	49	12	6	42	17	6	36	2	6	29	7	6
573	636	13	81	7	6	58	17	6	49	17	6	43	2	6	36	7	6	29	12	6
574	637	16	81	12	6	59	2	6	50	2	6	43	7	6	36	12	6	29	17	6
575	638	18	81	17	6	59	7	6	50	7	6	43	12	6	36	17	6	30	2	6
576	640	0	82	2	6	59	12	6	50	12	6	43	17	6	37	2	6	30	7	6
577	641	2	82	7	6	59	17	6	50	17	6	44	2	6	37	7	6	30	12	6
578	642	4	82	12	6	60	2	6	51	2	6	44	7	6	37	12	6	30	17	6
579	643	7	82	17	6	60	7	6	51	7	6	44	12	6	37	17	6	31	2	6
580	644	9	83	2	6	60	12	6	51	12	6	44	17	6	38	2	6	31	7	6
581	645	11	83	7	6	60	17	6	51	17	6	45	2	6	38	7	6	31	12	6
582	646	13	83	12	6	61	2	6	52	2	6	45	7	6	38	12	6	31	17	6
583	647	16	83	17	6	61	7	6	52	7	6	45	12	6	38	17	6	32	2	6
584	648	18	84	2	6	61	12	6	52	12	6	45	17	6	39	2	6	32	7	6
585	650	0	84	7	6	61	17	6	52	17	6	46	2	6	39	7	6	32	12	6
586	651	2	84	12	6	62	2	6	53	2	6	46	7	6	39	12	6	32	17	6
587	652	4	84	17	6	62	7	6	53	7	6	46	12	6	39	17	6	33	2	6
588	653	7	85	2	6	62	12	6	53	12	6	46	17	6	40	2	6	33	7	6
589	654	9	85	7	6	62	17	6	53	17	6	47	2	6	40	7	6	33	12	6
590	655	11	85	12	6	63	2	6	54	2	6	47	7	6	40	12	6	33	17	6
591	656	13	85	17	6	63	7	6	54	7	6	47	12	6	40	17	6	34	2	6
592	657	16	86	2	6	63	12	6	54	12	6	47	17	6	41	2	6	34	7	6
593	658	18	86	7	6	63	17	6	54	17	6	48	2	6	41	7	6	34	12	6
594	660	0	86	12	6	64	2	6	55	2	6	48	7	6	41	12	6	34	17	6
595	661	2	86	17	6	64	7	6	55	7	6	48	12	6	41	17	6	35	2	6
596	662	4	87	2	6	64	12	6	55	12	6	48	17	6	42	2	6	35	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Above and to the right of line *—* add as in Table I, page 515. Beneath and to the left of line *—* add as in Table II, page 515.

INCOME.		TAX.											
Wholly Invest-ment	Wholly Earned	SINGLE.	MARRIED.										
			No Children.		1 Child.		2 Children.		3 Children.		4 Children.		
£	£ s.	£ s. d	£ s. d		£ s. d		£ s. d		£ s. d		£ s. d		
597	663 7	87 7 6	64 17 6		55 17 6		49 2 6		42 7 6		35 12 6		
598	664 9	87 12 6	65 2 6		56 2 6		49 7 6		42 12 6		35 17 6		
599	665 11	87 17 6	65 7 6		56 7 6		49 12 6		42 17 6		36 2 6		
600	666 13	88 2 6	65 12 6		56 12 6		49 17 6		43 2 6		36 7 6		
601	667 16	88 7 6	65 17 6		56 17 6		50 2 6		43 7 6		36 12 6		
602	668 18	88 12 6	66 2 6		57 2 6		50 7 6		43 12 6		36 17 6		
603	670 0	88 17 6	66 7 6		57 7 6		50 12 6		43 17 6		37 2 6		
604	671 2	89 2 6	66 12 6		57 12 6		50 17 6		44 2 6		37 7 6		
605	672 4	89 7 6	66 17 6		57 17 6		51 2 6		44 7 6		37 12 6		
606	673 7	89 12 6	67 2 6		58 2 6		51 7 6		44 12 6		37 17 6		
607	674 9	89 17 6	67 7 6		58 7 6		51 12 6		44 17 6		38 2 6		
608	675 11	90 2 6	67 12 6		58 12 6		51 17 6		45 2 6		38 7 6		
609	676 13	90 7 6	67 17 6		58 17 6		52 2 6		45 7 6		38 12 6		
610	677 16	90 12 6	68 2 6		59 2 6		52 7 6		45 12 6		38 17 6		
611	678 18	90 17 6	68 7 6		59 7 6		52 12 6		45 17 6		39 2 6		
612	680 0	91 2 6	68 12 6		59 12 6		52 17 6		46 2 6		39 7 6		
613	681 2	91 7 6	68 17 6		59 17 6		53 2 6		46 7 6		39 12 6		
614	682 4	91 12 6	69 2 6		60 2 6		53 7 6		46 12 6		39 17 6		
615	683 7	91 17 6	69 7 6		60 7 6		53 12 6		46 17 6		40 2 6		
616	684 9	92 2 6	69 12 6		60 12 6		53 17 6		47 2 6		40 7 6		
617	685 11	92 7 6	69 17 6		60 17 6		54 2 6		47 7 6		40 12 6		
618	686 13	92 12 6	70 2 6		61 2 6		54 7 6		47 12 6		40 17 6		
619	687 16	92 17 6	70 7 6		61 7 6		54 12 6		47 17 6		41 2 6		
620	688 18	93 2 6	70 12 6		61 12 6		54 17 6		48 2 6		41 7 6		
621	690 0	93 7 6	70 17 6		61 17 6		55 2 6		48 7 6		41 12 6		
622	691 2	93 12 6	71 2 6		62 2 6		55 7 6		48 12 6		41 17 6		
623	692 4	93 17 6	71 7 6		62 7 6		55 12 6		48 17 6		42 2 6		
624	693 7	94 2 6	71 12 6		62 12 6		55 17 6		49 2 6		42 7 6		
625	694 9	94 7 6	71 17 6		62 17 6		56 2 6		49 7 6		42 12 6		
626	695 11	94 12 6	72 2 6		63 2 6		56 7 6		49 12 6		42 17 6		
627	696 13	94 17 6	72 7 6		63 7 6		56 12 6		49 17 6		43 2 6		
628	697 16	95 2 6	72 12 6		63 12 6		56 17 6		50 2 6		43 7 6		
629	698 18	95 7 6	72 17 6		63 17 6		57 2 6		50 7 6		43 12 6		
630	700 0	95 12 6	73 2 6		64 2 6		57 7 6		50 12 6		43 17 6		
631	701 2	95 17 6	73 7 6		64 7 6		57 12 6		50 17 6		44 2 6		
632	702 4	96 2 6	73 12 6		64 12 6		57 17 6		51 2 6		44 7 6		
633	703 7	96 7 6	73 17 6		64 17 6		58 2 6		51 7 6		44 12 6		
634	704 9	96 12 6	74 2 6		65 2 6		58 7 6		51 12 6		44 17 6		
635	705 11	96 17 6	74 7 6		65 7 6		58 12 6		51 17 6		45 2 6		
636	706 13	97 2 6	74 12 6		65 12 6		58 17 6		52 2 6		45 7 6		
637	707 16	97 7 6	74 17 6		65 17 6		59 2 6		52 7 6		45 12 6		
638	708 18	97 12 6	75 2 6		66 2 6		59 7 6		52 12 6		45 17 6		

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Investment	Wholly Earned		Single.			Married.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s	d
639	710	0	97	17	6	75	7	6	66	7	6	59	12	6	52	17	6	46	2	6
640	711	2	98	2	6	75	12	6	66	12	6	59	17	6	53	2	6	46	7	6
641	712	4	98	7	6	75	17	6	66	17	6	60	2	6	53	7	6	46	12	6
642	713	7	98	12	6	76	2	6	67	2	6	60	7	6	53	12	6	46	17	6
643	714	9	98	17	6	76	7	6	67	7	6	60	12	6	53	17	6	47	2	6
644	715	11	99	2	6	76	12	6	67	12	6	60	17	6	54	2	6	47	7	6
645	716	13	99	7	6	76	17	6	67	17	6	61	2	6	54	7	6	47	12	6
646	717	16	99	12	6	77	2	6	68	2	6	61	7	6	54	12	6	47	17	6
647	718	18	99	17	6	77	7	6	68	7	6	61	12	6	54	17	6	48	2	6
648	720	0	100	2	6	77	12	6	68	12	6	61	17	6	55	2	6	48	7	6
649	721	2	100	7	6	77	17	6	68	17	6	62	2	6	55	7	6	48	12	6
650	722	4	100	12	6	78	2	6	69	2	6	62	7	6	55	12	6	48	17	6
651	723	7	100	17	6	78	7	6	69	7	6	62	12	6	55	17	6	49	2	6
652	724	9	101	2	6	78	12	6	69	12	6	62	17	6	56	2	6	49	7	6
653	725	11	101	7	6	78	17	6	69	17	6	63	2	6	56	7	6	49	12	6
654	726	13	101	12	6	79	2	6	70	2	6	63	7	6	56	12	6	49	17	6
655	727	16	101	17	6	79	7	6	70	7	6	63	12	6	56	17	6	50	2	6
656	728	18	102	2	6	79	12	6	70	12	6	63	17	6	57	2	6	50	7	6
657	730	0	102	7	6	79	17	6	70	17	6	64	2	6	57	7	6	50	12	6
658	731	2	102	12	6	80	2	6	71	2	6	64	7	6	57	12	6	50	17	6
659	732	4	102	17	6	80	7	6	71	7	6	64	12	6	57	17	6	51	2	6
660	733	7	103	2	6	80	12	6	71	12	6	64	17	6	58	2	6	51	7	6
661	734	9	103	7	6	80	17	6	71	17	6	65	2	6	58	7	6	51	12	6
662	735	11	103	12	6	81	2	6	72	2	6	65	7	6	58	12	6	51	17	6
663	736	13	103	17	6	81	7	6	72	7	6	65	12	6	58	17	6	52	2	6
664	737	16	104	2	6	81	12	6	72	12	6	65	17	6	59	2	6	52	7	6
665	738	18	104	7	6	81	17	6	72	17	6	66	2	6	59	7	6	52	12	6
666	740	0	104	12	6	82	2	6	73	2	6	66	7	6	59	12	6	52	17	6
667	741	2	104	17	6	82	7	6	73	7	6	66	12	6	59	17	6	53	2	6
668	742	4	105	2	6	82	12	6	73	12	6	66	17	6	60	2	6	53	7	6
669	743	7	105	7	6	82	17	6	73	17	6	67	2	6	60	7	6	53	12	6
670	744	9	105	12	6	83	2	6	74	2	6	67	7	6	60	12	6	53	17	6
671	745	11	105	17	6	83	7	6	74	7	6	67	12	6	60	17	6	54	2	6
672	746	13	106	2	6	83	12	6	74	12	6	67	17	6	61	2	6	54	7	6
673	747	16	106	7	6	83	17	6	74	17	6	68	2	6	61	7	6	54	12	6
674	748	18	106	12	6	84	2	6	75	2	6	68	7	6	61	12	6	54	17	6
675	750	0	106	17	6	84	7	6	75	7	6	68	12	6	61	17	6	55	2	6
676	751	2	107	2	6	84	12	6	75	12	6	68	17	6	62	2	6	55	7	6
677	752	4	107	7	6	84	17	6	75	17	6	69	2	6	62	7	6	55	12	6
678	753	7	107	12	6	85	2	6	76	2	6	69	7	6	62	12	6	55	17	6
679	754	9	107	17	6	85	7	6	76	7	6	69	12	6	62	17	6	56	2	6
680	755	11	108	2	6	85	12	6	76	12	6	69	17	6	63	2	6	56	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Investment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
681	756	13	108	7	6	85	17	6	76	17	6	70	2	6	63	7	6	56	12	6
682	757	16	108	12	6	86	2	6	77	2	6	70	7	6	63	12	6	56	17	6
683	758	18	108	17	6	86	7	6	77	7	6	70	12	6	63	17	6	57	2	6
684	760	0	109	2	6	86	12	6	77	12	6	70	17	6	64	2	6	57	7	6
685	761	2	109	7	6	86	17	6	77	17	6	71	2	6	64	7	6	57	12	6
686	762	4	109	12	6	87	2	6	78	2	6	71	7	6	64	12	6	57	17	6
687	763	7	109	17	6	87	7	6	78	7	6	71	12	6	64	17	6	58	2	6
688	764	9	110	2	6	87	12	6	78	12	6	71	17	6	65	2	6	58	7	6
689	765	11	110	7	6	87	17	6	78	17	6	72	2	6	65	7	6	58	12	6
690	766	13	110	12	6	88	2	6	79	2	6	72	7	6	65	12	6	58	17	6
691	767	16	110	17	6	88	7	6	79	7	6	72	12	6	65	17	6	59	2	6
692	768	18	111	2	6	88	12	6	79	12	6	72	17	6	66	2	6	59	7	6
693	770	0	111	7	6	88	17	6	79	17	6	73	2	6	66	7	6	59	12	6
694	771	2	111	12	6	89	2	6	80	2	6	73	7	6	66	12	6	59	17	6
695	772	4	111	17	6	89	7	6	80	7	6	73	12	6	66	17	6	60	2	6
696	773	7	112	2	6	89	12	6	80	12	6	73	17	6	67	2	6	60	7	6
697	774	9	112	7	6	89	17	6	80	17	6	74	2	6	67	7	6	60	12	6
698	775	11	112	12	6	90	2	6	81	2	6	74	7	6	67	12	6	60	17	6
699	776	13	112	17	6	90	7	6	81	7	6	74	12	6	67	17	6	61	2	6
700	777	16	113	2	6	90	12	6	81	12	6	74	17	6	68	2	6	61	7	6
701	778	18	113	7	6	90	17	6	81	17	6	75	2	6	68	7	6	61	12	6
702	780	0	113	12	6	91	2	6	82	2	6	75	7	6	68	12	6	61	17	6
703	781	2	113	17	6	91	7	6	82	7	6	75	12	6	68	17	6	62	2	6
704	782	4	114	2	6	91	12	6	82	12	6	75	17	6	69	2	6	62	7	6
705	783	7	114	7	6	91	17	6	82	17	6	76	2	6	69	7	6	62	12	6
706	784	9	114	12	6	92	2	6	83	2	6	76	7	6	69	12	6	62	17	6
707	785	11	114	17	6	92	7	6	83	7	6	76	12	6	69	17	6	63	2	6
708	786	13	115	2	6	92	12	6	83	12	6	76	17	6	70	2	6	63	7	6
709	787	16	115	7	6	92	17	6	83	17	6	77	2	6	70	7	6	63	12	6
710	788	18	115	12	6	93	2	6	84	2	6	77	7	6	70	12	6	63	17	6
711	790	0	115	17	6	93	7	6	84	7	6	77	12	6	70	17	6	64	2	6
712	791	2	116	2	6	93	12	6	84	12	6	77	17	6	71	2	6	64	7	6
713	792	4	116	7	6	93	17	6	84	17	6	78	2	6	71	7	6	64	12	6
714	793	7	116	12	6	94	2	6	85	2	6	78	7	6	71	12	6	64	17	6
715	794	9	116	17	6	94	7	6	85	7	6	78	12	6	71	17	6	65	2	6
716	795	11	117	2	6	94	12	6	85	12	6	78	17	6	72	2	6	65	7	6
717	796	13	117	7	6	94	17	6	85	17	6	79	2	6	72	7	6	65	12	6
718	797	16	117	12	6	95	2	6	86	2	6	79	7	6	72	12	6	65	17	6
719	798	18	117	17	6	95	7	6	86	7	6	79	12	6	72	17	6	66	2	6
720	800	0	118	2	6	95	12	6	86	12	6	79	17	6	73	2	6	66	7	6
721	801	2	118	7	6	95	17	6	86	17	6	80	2	6	73	7	6	66	12	6
722	802	4	118	12	6	96	2	6	87	2	6	80	7	6	73	12	6	66	17	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Examples on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Investment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
723	803	7	118	17	6	96	7	6	87	7	6	80	12	6	73	17	6	67	2	6
724	804	9	119	2	6	96	12	6	87	12	6	80	17	6	74	2	6	67	7	6
725	805	11	119	7	6	96	17	6	87	17	6	81	2	6	74	7	6	67	12	6
726	806	13	119	12	6	97	2	6	88	2	6	81	7	6	74	12	6	67	17	6
727	807	16	119	17	6	97	7	6	88	7	6	81	12	6	74	17	6	68	2	6
728	808	18	120	2	6	97	12	6	88	12	6	81	17	6	75	2	6	68	7	6
729	810	0	120	7	6	97	17	6	88	17	6	82	2	6	75	7	6	68	12	6
730	811	2	120	12	6	98	2	6	89	2	6	82	7	6	75	12	6	68	17	6
731	812	4	120	17	6	98	7	6	89	7	6	82	12	6	75	17	6	69	2	6
732	813	7	121	2	6	98	12	6	89	12	6	82	17	6	76	2	6	69	7	6
733	814	9	121	7	6	98	17	6	89	17	6	83	2	6	76	7	6	69	12	6
734	815	11	121	12	6	99	2	6	90	2	6	83	7	6	76	12	6	69	17	6
735	816	13	121	17	6	99	7	6	90	7	6	83	12	6	76	17	6	70	2	6
736	817	16	122	2	6	99	12	6	90	12	6	83	17	6	77	2	6	70	7	6
737	818	18	122	7	6	99	17	6	90	17	6	84	2	6	77	7	6	70	12	6
738	820	0	122	12	6	100	2	6	91	2	6	84	7	6	77	12	6	70	17	6
739	821	2	122	17	6	100	7	6	91	7	6	84	12	6	77	17	6	71	2	6
740	822	4	123	2	6	100	12	6	91	12	6	84	17	6	78	2	6	71	7	6
741	823	7	123	7	6	100	17	6	91	17	6	85	2	6	78	7	6	71	12	6
742	824	9	123	12	6	101	2	6	92	2	6	85	7	6	78	12	6	71	17	6
743	825	11	123	17	6	101	7	6	92	7	6	85	12	6	78	17	6	72	2	6
744	826	13	124	2	6	101	12	6	92	12	6	85	17	6	79	2	6	72	7	6
745	827	16	124	7	6	101	17	6	92	17	6	86	2	6	79	7	6	72	12	6
746	828	18	124	12	6	102	2	6	93	2	6	86	7	6	79	12	6	72	17	6
747	830	0	124	17	6	102	7	6	93	7	6	86	12	6	79	17	6	73	2	6
748	831	2	125	2	6	102	12	6	93	12	6	86	17	6	80	2	6	73	7	6
749	832	4	125	7	6	102	17	6	93	17	6	87	2	6	80	7	6	73	12	6
750	833	7	125	12	6	103	2	6	94	2	6	87	7	6	80	12	6	73	17	6
751	834	9	125	17	6	103	7	6	94	7	6	87	12	6	80	17	6	74	2	6
752	835	11	126	2	6	103	12	6	94	12	6	87	17	6	81	2	6	74	7	6
753	836	13	126	7	6	103	17	6	94	17	6	88	2	6	81	7	6	74	12	6
754	837	16	126	12	6	104	2	6	95	2	6	88	7	6	81	12	6	74	17	6
755	838	18	126	17	6	104	7	6	95	7	6	88	12	6	81	17	6	75	2	6
756	840	0	127	2	6	104	12	6	95	12	6	88	17	6	82	2	6	75	7	6
757	841	2	127	7	6	104	17	6	95	17	6	89	2	6	82	7	6	75	12	6
758	842	4	127	12	6	105	2	6	96	2	6	89	7	6	82	12	6	75	17	6
759	843	7	127	17	6	105	7	6	96	7	6	89	12	6	82	17	6	76	2	6
760	844	9	128	2	6	105	12	6	96	12	6	89	17	6	83	2	6	76	7	6
761	845	11	128	7	6	105	17	6	96	17	6	90	2	6	83	7	6	76	12	6
762	846	13	128	12	6	106	2	6	97	2	6	90	7	6	83	12	6	76	17	6
763	847	16	128	17	6	106	7	6	97	7	6	90	12	6	83	17	6	77	2	6
764	848	18	129	2	6	106	12	6	97	12	6	90	17	6	84	2	6	77	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
765	850	0	129	7	6	106	17	6	97	17	6	91	2	6	84	7	6	77	12	6
766	851	2	129	12	6	107	2	6	98	2	6	91	7	6	84	12	6	77	17	6
767	852	4	129	17	6	107	7	6	98	7	6	91	12	6	84	17	6	78	2	6
768	853	7	130	2	6	107	12	6	98	12	6	91	17	6	85	2	6	78	7	6
769	854	9	130	7	6	107	17	6	98	17	6	92	2	6	85	7	6	78	12	6
770	855	11	130	12	6	108	2	6	99	2	6	92	7	6	85	12	6	78	17	6
771	856	13	130	17	6	108	7	6	99	7	6	92	12	6	85	17	6	79	2	6
772	857	16	131	2	6	108	12	6	99	12	6	92	17	6	86	2	6	79	7	6
773	858	18	131	7	6	108	17	6	99	17	6	93	2	6	86	7	6	79	12	6
774	860	0	131	12	6	109	2	6	100	2	6	93	7	6	86	12	6	79	17	6
775	861	2	131	17	6	109	7	6	100	7	6	93	12	6	86	17	6	80	2	6
776	862	4	132	2	6	109	12	6	100	12	6	93	17	6	87	2	6	80	7	6
777	863	7	132	7	6	109	17	6	100	17	6	94	2	6	87	7	6	80	12	6
778	864	9	132	12	6	110	2	6	101	2	6	94	7	6	87	12	6	80	17	6
779	865	11	132	17	6	110	7	6	101	7	6	94	12	6	87	17	6	81	2	6
780	866	13	133	2	6	110	12	6	101	12	6	94	17	6	88	2	6	81	7	6
781	867	16	133	7	6	110	17	6	101	17	6	95	2	6	88	7	6	81	12	6
782	868	18	133	12	6	111	2	6	102	2	6	95	7	6	88	12	6	81	17	6
783	870	0	133	17	6	111	7	6	102	7	6	95	12	6	88	17	6	82	2	6
784	871	2	134	2	6	111	12	6	102	12	6	95	17	6	89	2	6	82	7	6
785	872	4	134	7	6	111	17	6	102	17	6	96	2	6	89	7	6	82	12	6
786	873	7	134	12	6	112	2	6	103	2	6	96	7	6	89	12	6	82	17	6
787	874	9	134	17	6	112	7	6	103	7	6	96	12	6	89	17	6	83	2	6
788	875	11	135	2	6	112	12	6	103	12	6	96	17	6	90	2	6	83	7	6
789	876	13	135	7	6	112	17	6	103	17	6	97	2	6	90	7	6	83	12	6
790	877	16	135	12	6	113	2	6	104	2	6	97	7	6	90	12	6	83	17	6
791	878	18	135	17	6	113	7	6	104	7	6	97	12	6	90	17	6	84	2	6
792	880	0	136	2	6	113	12	6	104	12	6	97	17	6	91	2	6	84	7	6
793	881	2	136	7	6	113	17	6	104	17	6	98	2	6	91	7	6	84	12	6
794	882	4	136	12	6	114	2	6	105	2	6	98	7	6	91	12	6	84	17	6
795	883	7	136	17	6	114	7	6	105	7	6	98	12	6	91	17	6	85	2	6
796	884	9	137	2	6	114	12	6	105	12	6	98	17	6	92	2	6	85	7	6
797	885	11	137	7	6	114	17	6	105	17	6	99	2	6	92	7	6	85	12	6
798	886	13	137	12	6	115	2	6	106	2	6	99	7	6	92	12	6	85	17	6
799	887	16	137	17	6	115	7	6	106	7	6	99	12	6	92	17	6	86	2	6
800	888	18	138	2	6	115	12	6	106	12	6	99	17	6	93	2	6	86	7	6
801	890	0	138	7	6	115	17	6	106	17	6	100	2	6	93	7	6	86	12	6
802	891	2	138	12	6	116	2	6	107	2	6	100	7	6	93	12	6	86	17	6
803	892	4	138	17	6	116	7	6	107	7	6	100	12	6	93	17	6	87	2	6
804	893	7	139	2	6	116	12	6	107	12	6	100	17	6	94	2	6	87	7	6
805	894	9	139	7	6	116	17	6	107	17	6	101	2	6	94	7	6	87	12	6
806	895	11	139	12	6	117	2	6	108	2	6	101	7	6	94	12	6	87	17	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Investment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
807	896	13	139	17	6	117	7	6	108	7	6	101	12	6	94	17	6	88	2	6
808	897	16	140	2	6	117	12	6	108	12	6	101	17	6	95	2	6	88	7	6
809	898	18	140	7	6	117	17	6	108	17	6	102	2	6	95	7	6	88	12	6
810	900	0	140	12	6	118	2	6	109	2	6	102	7	6	95	12	6	88	17	6
811	901	2	140	17	6	118	7	6	109	7	6	102	12	6	95	17	6	89	2	6
812	902	4	141	2	6	118	12	6	109	12	6	102	17	6	96	2	6	89	7	6
813	903	7	141	7	6	118	17	6	109	17	6	103	2	6	96	7	6	89	12	6
814	904	9	141	12	6	119	2	6	110	2	6	103	7	6	96	12	6	89	17	6
815	905	11	141	17	6	119	7	6	110	7	6	103	12	6	96	17	6	90	2	6
816	906	13	142	2	6	119	12	6	110	12	6	103	17	6	97	2	6	90	7	6
817	907	16	142	7	6	119	17	6	110	17	6	104	2	6	97	7	6	90	12	6
818	908	18	142	12	6	120	2	6	111	2	6	104	7	6	97	12	6	90	17	6
819	910	0	142	17	6	120	7	6	111	7	6	104	12	6	97	17	6	91	2	6
820	911	2	143	2	6	120	12	6	111	12	6	104	17	6	98	2	6	91	7	6
821	912	4	143	7	6	120	17	6	111	17	6	105	2	6	98	7	6	91	12	6
822	913	7	143	12	6	121	2	6	112	2	6	105	7	6	98	12	6	91	17	6
823	914	9	143	17	6	121	7	6	112	7	6	105	12	6	98	17	6	92	2	6
824	915	11	144	2	6	121	12	6	112	12	6	105	17	6	99	2	6	92	7	6
825	916	13	144	7	6	121	17	6	112	17	6	106	2	6	99	7	6	92	12	6
826	917	16	144	12	6	122	2	6	113	2	6	106	7	6	99	12	6	92	17	6
827	918	18	144	17	6	122	7	6	113	7	6	106	12	6	99	17	6	93	2	6
828	920	0	145	2	6	122	12	6	113	12	6	106	17	6	100	2	6	93	7	6
829	921	2	145	7	6	122	17	6	113	17	6	107	2	6	100	7	6	93	12	6
830	922	4	145	12	6	123	2	6	114	2	6	107	7	6	100	12	6	93	17	6
831	923	7	145	17	6	123	7	6	114	7	6	107	12	6	100	17	6	94	2	6
832	924	9	146	2	6	123	12	6	114	12	6	107	17	6	101	2	6	94	7	6
833	925	11	146	7	6	123	17	6	114	17	6	108	2	6	101	7	6	94	12	6
834	926	13	146	12	6	124	2	6	115	2	6	108	7	6	101	12	6	94	17	6
835	927	16	146	17	6	124	7	6	115	7	6	108	12	6	101	17	6	95	2	6
836	928	18	147	2	6	124	12	6	115	12	6	108	17	6	102	2	6	95	7	6
837	930	0	147	7	6	124	17	6	115	17	6	109	2	6	102	7	6	95	12	6
838	931	2	147	12	6	125	2	6	116	2	6	109	7	6	102	12	6	95	17	6
839	932	4	147	17	6	125	7	6	116	7	6	109	12	6	102	17	6	96	2	6
840	933	7	148	2	6	125	12	6	116	12	6	109	17	6	103	2	6	96	7	6
841	934	9	148	7	6	125	17	6	116	17	6	110	2	6	103	7	6	96	12	6
842	935	11	148	12	6	126	2	6	117	2	6	110	7	6	103	12	6	96	17	6
843	936	13	148	17	6	126	7	6	117	7	6	110	12	6	103	17	6	97	2	6
844	937	16	149	2	6	126	12	6	117	12	6	110	17	6	104	2	6	97	7	6
845	938	18	149	7	6	126	17	6	117	17	6	111	2	6	104	7	6	97	12	6
846	940	0	149	12	6	127	2	6	118	2	6	111	7	6	104	12	6	97	17	6
847	941	2	149	17	6	127	7	6	118	7	6	111	12	6	104	17	6	98	2	6
848	942	4	150	2	6	127	12	6	118	12	6	111	17	6	105	2	6	98	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
849	943	7	150	7	6	127	17	6	118	17	6	112	2	6	105	7	6	98	12	6
850	944	9	150	12	6	128	2	6	119	2	6	112	7	6	105	12	6	98	17	6
851	945	11	150	17	6	128	7	6	119	7	6	112	12	6	105	17	6	99	2	6
852	946	13	151	2	6	128	12	6	119	12	6	112	17	6	106	2	6	99	7	6
853	947	16	151	7	6	128	17	6	119	17	6	113	2	6	106	7	6	99	12	6
854	948	18	151	12	6	129	2	6	120	2	6	113	7	6	106	12	6	99	17	6
855	950	0	151	17	6	129	7	6	120	7	6	113	12	6	106	17	6	100	2	6
856	951	2	152	2	6	129	12	6	120	12	6	113	17	6	107	2	6	100	7	6
857	952	4	152	7	6	129	17	6	120	17	6	114	2	6	107	7	6	100	12	6
858	953	7	152	12	6	130	2	6	121	2	6	114	7	6	107	12	6	100	17	6
859	954	9	152	17	6	130	7	6	121	7	6	114	12	6	107	17	6	101	2	6
860	955	11	153	2	6	130	12	6	121	12	6	114	17	6	108	2	6	101	7	6
861	956	13	153	7	6	130	17	6	121	17	6	115	2	6	108	7	6	101	12	6
862	957	16	153	12	6	131	2	6	122	2	6	115	7	6	108	12	6	101	17	6
863	958	18	153	17	6	131	7	6	122	7	6	115	12	6	108	17	6	102	2	6
864	960	0	154	2	6	131	12	6	122	12	6	115	17	6	109	2	6	102	7	6
865	961	2	154	7	6	131	17	6	122	17	6	116	2	6	109	7	6	102	12	6
866	962	4	154	12	6	132	2	6	123	2	6	116	7	6	109	12	6	102	17	6
867	963	7	154	17	6	132	7	6	123	7	6	116	12	6	109	17	6	103	2	6
868	964	9	155	2	6	132	12	6	123	12	6	116	17	6	110	2	6	103	7	6
869	965	11	155	7	6	132	17	6	123	17	6	117	2	6	110	7	6	103	12	6
870	966	13	155	12	6	133	2	6	124	2	6	117	7	6	110	12	6	103	17	6
871	967	16	155	17	6	133	7	6	124	7	6	117	12	6	110	17	6	104	2	6
872	968	18	156	2	6	133	12	6	124	12	6	117	17	6	111	2	6	104	7	6
873	970	0	156	7	6	133	17	6	124	17	6	118	2	6	111	7	6	104	12	6
874	971	2	156	12	6	134	2	6	125	2	6	118	7	6	111	12	6	104	17	6
875	972	4	156	17	6	134	7	6	125	7	6	118	12	6	111	17	6	105	2	6
876	973	7	157	2	6	134	12	6	125	12	6	118	17	6	112	2	6	105	7	6
877	974	9	157	7	6	134	17	6	125	17	6	119	2	6	112	7	6	105	12	6
878	975	11	157	12	6	135	2	6	126	2	6	119	7	6	112	12	6	105	17	6
879	976	13	157	17	6	135	7	6	126	7	6	119	12	6	112	17	6	106	2	6
880	977	16	158	2	6	135	12	6	126	12	6	119	17	6	113	2	6	106	7	6
881	978	18	158	7	6	135	17	6	126	17	6	120	2	6	113	7	6	106	12	6
882	980	0	158	12	6	136	2	6	127	2	6	120	7	6	113	12	6	106	17	6
883	981	2	158	17	6	136	7	6	127	7	6	120	12	6	113	17	6	107	2	6
884	982	4	159	2	6	136	12	6	127	12	6	120	17	6	114	2	6	107	7	6
885	983	7	159	7	6	136	17	6	127	17	6	121	2	6	114	7	6	107	12	6
886	984	9	159	12	6	137	2	6	128	2	6	121	7	6	114	12	6	107	17	6
887	985	11	159	17	6	137	7	6	128	7	6	121	12	6	114	17	6	108	2	6
888	986	13	160	2	6	137	12	6	128	12	6	121	17	6	115	2	6	108	7	6
889	987	16	160	7	6	137	17	6	128	17	6	122	2	6	115	7	6	108	12	6
890	988	18	160	12	6	138	2	6	129	2	6	122	7	6	115	12	6	108	17	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		Single.			Married.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
891	990	0	160	17	6	138	7	6	129	7	6	122	12	6	115	17	6	109	2	6
892	991	2	161	2	6	138	12	6	129	12	6	122	17	6	116	2	6	109	7	6
893	992	4	161	7	6	138	17	6	129	17	6	123	2	6	116	7	6	109	12	6
894	993	7	161	12	6	139	2	6	130	2	6	123	7	6	116	12	6	109	17	6
895	994	9	161	17	6	139	7	6	130	7	6	123	12	6	116	17	6	110	2	6
896	995	11	162	2	6	139	12	6	130	12	6	123	17	6	117	2	6	110	7	6
897	996	13	162	7	6	139	17	6	130	17	6	124	2	6	117	7	6	110	12	6
898	997	16	162	12	6	140	2	6	131	2	6	124	7	6	117	12	6	110	17	6
899	998	18	162	17	6	140	7	6	131	7	6	124	12	6	117	17	6	111	2	6
900	1,000	0	163	2	6	140	12	6	131	12	6	124	17	6	118	2	6	111	7	6
901	1,001	2	163	7	6	140	17	6	131	17	6	125	2	6	118	7	6	111	12	6
902	1,002	4	163	12	6	141	2	6	132	2	6	125	7	6	118	12	6	111	17	6
903	1,003	7	163	17	6	141	7	6	132	7	6	125	12	6	118	17	6	112	2	6
904	1,004	9	164	2	6	141	12	6	132	12	6	125	17	6	119	2	6	112	7	6
905	1,005	11	164	7	6	141	17	6	132	17	6	126	2	6	119	7	6	112	12	6
906	1,006	13	164	12	6	142	2	6	133	2	6	126	7	6	119	12	6	112	17	6
907	1,007	16	164	17	6	142	7	6	133	7	6	126	12	6	119	17	6	113	2	6
908	1,008	18	165	2	6	142	12	6	133	12	6	126	17	6	120	2	6	113	7	6
909	1,010	0	165	7	6	142	17	6	133	17	6	127	2	6	120	7	6	113	12	6
910	1,011	2	165	12	6	143	2	6	134	2	6	127	7	6	120	12	6	113	17	6
911	1,012	4	165	17	6	143	7	6	134	7	6	127	12	6	120	17	6	114	2	6
912	1,013	7	166	2	6	143	12	6	134	12	6	127	17	6	121	2	6	114	7	6
913	1,014	9	166	7	6	143	17	6	134	17	6	128	2	6	121	7	6	114	12	6
914	1,015	11	166	12	6	144	2	6	135	2	6	128	7	6	121	12	6	114	17	6
915	1,016	13	166	17	6	144	7	6	135	7	6	128	12	6	121	17	6	115	2	6
916	1,017	16	167	2	6	144	12	6	135	12	6	128	17	6	122	2	6	115	7	6
917	1,018	18	167	7	6	144	17	6	135	17	6	129	2	6	122	7	6	115	12	6
918	1,020	0	167	12	6	145	2	6	136	2	6	129	7	6	122	12	6	115	17	6
919	1,021	2	167	17	6	145	7	6	136	7	6	129	12	6	122	17	6	116	2	6
920	1,022	4	168	2	6	145	12	6	136	12	6	129	17	6	123	2	6	116	7	6
921	1,023	7	168	7	6	145	17	6	136	17	6	130	2	6	123	7	6	116	12	6
922	1,024	9	168	12	6	146	2	6	137	2	6	130	7	6	123	12	6	116	17	6
923	1,025	11	168	17	6	146	7	6	137	7	6	130	12	6	123	17	6	117	2	6
924	1,026	13	169	2	6	146	12	6	137	12	6	130	17	6	124	2	6	117	7	6
925	1,027	16	169	7	6	146	17	6	137	17	6	131	2	6	124	7	6	117	12	6
926	1,028	18	169	12	6	147	2	6	138	2	6	131	7	6	124	12	6	117	17	6
927	1,030	0	169	17	6	147	7	6	138	7	6	131	12	6	124	17	6	118	2	6
928	1,031	2	170	2	6	147	12	6	138	12	6	131	17	6	125	2	6	118	7	6
929	1,032	4	170	7	6	147	17	6	138	17	6	132	2	6	125	7	6	118	12	6
930	1,033	7	170	12	6	148	2	6	139	2	6	132	7	6	125	12	6	118	17	6
931	1,034	9	170	17	6	148	7	6	139	7	6	132	12	6	125	17	6	119	2	6
932	1,035	11	171	2	6	148	12	6	139	12	6	132	17	6	126	2	6	119	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.		TAX.																	
Wholly Investment	Wholly Earned	Single.			Married.														
					No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£ s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
933	1,036 13	171	7	6	148	17	6	139	17	6	133	2	6	126	7	6	119	12	6
934	1,037 16	171	12	6	149	2	6	140	2	6	133	7	6	126	12	6	119	17	6
935	1,038 18	171	17	6	149	7	6	140	7	6	133	12	6	126	17	6	120	2	6
936	1,040 0	172	2	6	149	12	6	140	12	6	133	17	6	127	2	6	120	7	6
937	1,041 2	172	7	6	149	17	6	140	17	6	134	2	6	127	7	6	120	12	6
938	1,042 4	172	12	6	150	2	6	141	2	6	134	7	6	127	12	6	120	17	6
939	1,043 7	172	17	6	150	7	6	141	7	6	134	12	6	127	17	6	121	2	6
940	1,044 9	173	2	6	150	12	6	141	12	6	134	17	6	128	2	6	121	7	6
941	1,045 11	173	7	6	150	17	6	141	17	6	135	2	6	128	7	6	121	12	6
942	1,046 13	173	12	6	151	2	6	142	2	6	135	7	6	128	12	6	121	17	6
943	1,047 16	173	17	6	151	7	6	142	7	6	135	12	6	128	17	6	122	2	6
944	1,048 18	174	2	6	151	12	6	142	12	6	135	17	6	129	2	6	122	7	6
945	1,050 0	174	7	6	151	17	6	142	17	6	136	2	6	129	7	6	122	12	6
946	1,051 2	174	12	6	152	2	6	143	2	6	136	7	6	129	12	6	122	17	6
947	1,052 4	174	17	6	152	7	6	143	7	6	136	12	6	129	17	6	123	2	6
948	1,053 7	175	2	6	152	12	6	143	12	6	136	17	6	130	2	6	123	7	6
949	1,054 9	175	7	6	152	17	6	143	17	6	137	2	6	130	7	6	123	12	6
950	1,055 11	175	12	6	153	2	6	144	2	6	137	7	6	130	12	6	123	17	6
951	1,056 13	175	17	6	153	7	6	144	7	6	137	12	6	130	17	6	124	2	6
952	1,057 16	176	2	6	153	12	6	144	12	6	137	17	6	131	2	6	124	7	6
953	1,058 18	176	7	6	153	17	6	144	17	6	138	2	6	131	7	6	124	12	6
954	1,060 0	176	12	6	154	2	6	145	2	6	138	7	6	131	12	6	124	17	6
955	1,061 2	176	17	6	154	7	6	145	7	6	138	12	6	131	17	6	125	2	6
956	1,062 4	177	2	6	154	12	6	145	12	6	138	17	6	132	2	6	125	7	6
957	1,063 7	177	7	6	154	17	6	145	17	6	139	2	6	132	7	6	125	12	6
958	1,064 9	177	12	6	155	2	6	146	2	6	139	7	6	132	12	6	125	17	6
959	1,065 11	177	17	6	155	7	6	146	7	6	139	12	6	132	17	6	126	2	6
960	1,066 13	178	2	6	155	12	6	146	12	6	139	17	6	133	2	6	126	7	6
961	1,067 16	178	7	6	155	17	6	146	17	6	140	2	6	133	7	6	126	12	6
962	1,068 18	178	12	6	156	2	6	147	2	6	140	7	6	133	12	6	126	17	6
963	1,070 0	178	17	6	156	7	6	147	7	6	140	12	6	133	17	6	127	2	6
964	1,071 2	179	2	6	156	12	6	147	12	6	140	17	6	134	2	6	127	7	6
965	1,072 4	179	7	6	156	17	6	147	17	6	141	2	6	134	7	6	127	12	6
966	1,073 7	179	12	6	157	2	6	148	2	6	141	7	6	134	12	6	127	17	6
967	1,074 9	179	17	6	157	7	6	148	7	6	141	12	6	134	17	6	128	2	6
968	1,075 11	180	2	6	157	12	6	148	12	6	141	17	6	135	2	6	128	7	6
969	1,076 13	180	7	6	157	17	6	148	17	6	142	2	6	135	7	6	128	12	6
970	1,077 16	180	12	6	158	2	6	149	2	6	142	7	6	135	12	6	128	17	6
971	1,078 18	180	17	6	158	7	6	149	7	6	142	12	6	135	17	6	129	2	6
972	1,080 0	181	2	6	158	12	6	149	12	6	142	17	6	136	2	6	129	7	6
973	1,081 2	181	7	6	158	17	6	149	17	6	143	2	6	136	7	6	129	12	6
974	1,082 4	181	12	6	159	2	6	150	2	6	143	7	6	136	12	6	129	17	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
975	1,083	7	181	17	6	159	7	6	150	7	6	143	12	6	136	17	6	130	2	6
976	1,084	9	182	2	6	159	12	6	150	12	6	143	17	6	137	2	6	130	7	6
977	1,085	11	182	7	6	159	17	6	150	17	6	144	2	6	137	7	6	130	12	6
978	1,086	13	182	12	6	160	2	6	151	2	6	144	7	6	137	12	6	130	17	6
979	1,087	16	182	17	6	160	7	6	151	7	6	144	12	6	137	17	6	131	2	6
980	1,088	18	183	2	6	160	12	6	151	12	6	144	17	6	138	2	6	131	7	6
981	1,090	0	183	7	6	160	17	6	151	17	6	145	2	6	138	7	6	131	12	6
982	1,091	2	183	12	6	161	2	6	152	2	6	145	7	6	138	12	6	131	17	6
983	1,092	4	183	17	6	161	7	6	152	7	6	145	12	6	138	17	6	132	2	6
984	1,093	7	184	2	6	161	12	6	152	12	6	145	17	6	139	2	6	132	7	6
985	1,094	9	184	7	6	161	17	6	152	17	6	146	2	6	139	7	6	132	12	6
986	1,095	11	184	12	6	162	2	6	153	2	6	146	7	6	139	12	6	132	17	6
987	1,096	13	184	17	6	162	7	6	153	7	6	146	12	6	139	17	6	133	2	6
988	1,097	16	185	2	6	162	12	6	153	12	6	146	17	6	140	2	6	133	7	6
989	1,098	18	185	7	6	162	17	6	153	17	6	147	2	6	140	7	6	133	12	6
990	1,100	0	185	12	6	163	2	6	154	2	6	147	7	6	140	12	6	133	17	6
991	1,101	2	185	17	6	163	7	6	154	7	6	147	12	6	140	17	6	134	2	6
992	1,102	4	186	2	6	163	12	6	154	12	6	147	17	6	141	2	6	134	7	6
993	1,103	7	186	7	6	163	17	6	154	17	6	148	2	6	141	7	6	134	12	6
994	1,104	9	186	12	6	164	2	6	155	2	6	148	7	6	141	12	6	134	17	6
995	1,105	11	186	17	6	164	7	6	155	7	6	148	12	6	141	17	6	135	2	6
996	1,106	13	187	2	6	164	12	6	155	12	6	148	17	6	142	2	6	135	7	6
997	1,107	16	187	7	6	164	17	6	155	17	6	149	2	6	142	7	6	135	12	6
998	1,108	18	187	12	6	165	2	6	156	2	6	149	7	6	142	12	6	135	17	6
999	1,110	0	187	17	6	165	7	6	156	7	6	149	12	6	142	17	6	136	2	6
1,000	1,111	2	188	2	6	165	12	6	156	12	6	149	17	6	143	2	6	136	7	6

Table III

The table now proceeds at intervals of £5. For intermediate incomes add as follows—

1	1	2	5	0		5	0		5	0		5	0		5	0		5	0
2	2	4	10	0		10	0		10	0		10	0		10	0		10	0
3	3	7	15	0		15	0		15	0		15	0		15	0		15	0
4	4	9	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0
1,005	1,116	13	189	7	6	166	17	6	157	17	6	151	2	6	144	7	6	137	12	6
1,010	1,122	4	190	12	6	168	2	6	159	2	6	152	7	6	145	12	6	138	17	6
1,015	1,127	15	191	17	6	169	7	6	160	7	6	153	12	6	146	17	6	140	2	6
1,020	1,133	7	193	2	6	170	12	6	161	12	6	154	17	6	148	2	6	141	7	6
1,025	1,138	18	194	7	6	171	17	6	162	17	6	156	2	6	149	7	6	142	12	6
1,030	1,144	9	195	12	6	173	2	6	164	2	6	157	7	6	150	12	6	143	17	6
1,035	1,150	0	196	17	6	174	7	6	165	7	6	158	12	6	151	17	6	145	2	6
1,040	1,155	11	198	2	6	175	12	6	166	12	6	159	17	6	153	2	6	146	7	6
1,045	1,161	2	199	7	6	176	17	6	167	17	6	161	2	6	154	7	6	147	12	6
1,050	1,166	13	200	12	6	178	2	6	169	2	6	162	7	6	155	12	6	148	17	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned income by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

INCOME.		TAX.																				
Wholly Investment.	Wholly Earned.	SINGLE.			MARRIED.																	
					No Children.			1 Child.			2 Children.			3 Children.			4 Children.					
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
1,055	1,172	4	201	17	6	179	7	6	170	7	6	163	12	6	156	17	6	150	2	6			
1,060	1,177	15	203	2	6	180	12	6	171	12	6	164	17	6	158	2	6	151	7	6			
1,065	1,183	7	204	7	6	181	17	6	172	17	6	166	2	6	159	7	6	152	12	6			
1,070	1,188	18	205	12	6	183	2	6	174	2	6	167	7	6	160	12	6	153	17	6			
1,075	1,194	9	206	17	6	184	7	6	175	7	6	168	12	6	161	17	6	155	2	6			
1,080	1,200	0	208	2	6	185	12	6	176	12	6	169	17	6	163	2	6	156	7	6			
1,085	1,205	11	209	7	6	186	17	6	177	17	6	171	2	6	164	7	6	157	12	6			
1,090	1,211	2	210	12	6	188	2	6	179	2	6	172	7	6	165	12	6	158	17	6			
1,095	1,216	13	211	17	6	189	7	6	180	7	6	173	12	6	166	17	6	160	2	6			
1,100	1,222	4	213	2	6	190	12	6	181	12	6	174	17	6	168	2	6	161	7	6			
1,105	1,227	15	214	7	6	191	17	6	182	17	6	176	2	6	169	7	6	162	12	6			
1,110	1,233	7	215	12	6	193	2	6	184	2	6	177	7	6	170	12	6	163	17	6			
1,115	1,238	18	216	17	6	194	7	6	185	7	6	178	12	6	171	17	6	165	2	6			
1,120	1,244	9	218	2	6	195	12	6	186	12	6	179	17	6	173	2	6	166	7	6			
1,125	1,250	0	219	7	6	196	17	6	187	17	6	181	2	6	174	7	6	167	12	6			
1,130	1,255	11	220	12	6	198	2	6	189	2	6	182	7	6	175	12	6	168	17	6			
1,135	1,261	2	221	17	6	199	7	6	190	7	6	183	12	6	176	17	6	170	2	6			
1,140	1,266	13	223	2	6	200	12	6	191	12	6	184	17	6	178	2	6	171	7	6			
1,145	1,272	4	224	7	6	201	17	6	192	17	6	186	2	6	179	7	6	172	12	6			
1,150	1,277	15	225	12	6	203	2	6	194	2	6	187	7	6	180	12	6	173	17	6			
1,155	1,283	7	226	17	6	204	7	6	195	7	6	188	12	6	181	17	6	175	2	6			
1,160	1,288	18	228	2	6	205	12	6	196	12	6	189	17	6	183	2	6	176	7	6			
1,165	1,294	9	229	7	6	206	17	6	197	17	6	191	2	6	184	7	6	177	12	6			
1,170	1,300	0	230	12	6	208	2	6	199	2	6	192	7	6	185	12	6	178	17	6			
1,175	1,305	11	231	17	6	209	7	6	200	7	6	193	12	6	186	17	6	180	2	6			
1,180	1,311	2	233	2	6	210	12	6	201	12	6	194	17	6	188	2	6	181	7	6			
1,185	1,316	13	234	7	6	211	17	6	202	17	6	196	2	6	189	7	6	182	12	6			
1,190	1,322	4	235	12	6	213	2	6	204	2	6	197	7	6	190	12	6	183	17	6			
1,195	1,327	15	236	17	6	214	7	6	205	7	6	198	12	6	191	17	6	185	2	6			
1,200	1,333	7	238	2	6	215	12	6	206	12	6	199	17	6	193	2	6	186	7	6			
1,205	1,338	18	239	7	6	216	17	6	207	17	6	201	2	6	194	7	6	187	12	6			
1,210	1,344	9	240	12	6	218	2	6	209	2	6	202	7	6	195	12	6	188	17	6			
1,215	1,350	0	241	17	6	219	7	6	210	7	6	203	12	6	196	17	6	190	2	6			
1,220	1,355	11	243	2	6	220	12	6	211	12	6	204	17	6	198	2	6	191	7	6			
1,225	1,361	2	244	7	6	221	17	6	212	17	6	206	2	6	199	7	6	192	12	6			
1,230	1,366	13	245	12	6	223	2	6	214	2	6	207	7	6	200	12	6	193	17	6			
1,235	1,372	4	246	17	6	224	7	6	215	7	6	208	12	6	201	17	6	195	2	6			
1,240	1,377	15	248	2	6	225	12	6	216	12	6	209	17	6	203	2	6	196	7	6			
1,245	1,383	7	249	7	6	226	17	6	217	17	6	211	2	6	204	7	6	197	12	6			
1,250	1,388	18	250	12	6	228	2	6	219	2	6	212	7	6	205	12	6	198	17	6			
1,255	1,394	9	251	17	6	229	7	6	220	7	6	213	12	6	206	17	6	200	2	6			
1,260	1,400	0	253	2	6	230	12	6	221	12	6	214	17	6	208	2	6	201	7	6			

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned income by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals of £5. For intermediate incomes add as in Table III, inserted on page 536.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																				
Wholly Invest-ment	Wholly Earned		SINGLE.			MARRIED.																	
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.				
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d		
1,265	1,405	11	254	7	6	231	17	6	222	17	6	216	2	6	209	7	6	202	12	6		
1,270	1,411	2	255	12	6	233	2	6	224	2	6	217	7	6	210	12	6	203	17	6		
1,275	1,416	13	256	17	6	234	7	6	225	7	6	218	12	6	211	17	6	205	2	6		
1,280	1,422	4	258	2	6	235	12	6	226	12	6	219	17	6	213	2	6	206	7	6		
1,285	1,427	15	259	7	6	236	17	6	227	17	6	221	2	6	214	7	6	207	12	6		
1,290	1,433	7	260	12	6	238	2	6	229	2	6	222	7	6	215	12	6	208	17	6		
1,295	1,438	18	261	17	6	239	7	6	230	7	6	223	12	6	216	17	6	210	2	6		
1,300	1,444	9	263	2	6	240	12	6	231	12	6	224	17	6	218	2	6	211	7	6		
1,305	1,450	0	264	7	6	241	17	6	232	17	6	226	2	6	219	7	6	212	12	6		
1,310	1,455	11	265	12	6	243	2	6	234	2	6	227	7	6	220	12	6	213	17	6		
1,315	1,461	2	266	17	6	244	7	6	235	7	6	228	12	6	221	17	6	215	2	6		
1,320	1,466	13	268	2	6	245	12	6	236	12	6	229	17	6	223	2	6	216	7	6		
1,325	1,472	4	269	7	6	246	17	6	237	17	6	231	2	6	224	7	6	217	12	6		
1,330	1,477	15	270	12	6	248	2	6	239	2	6	232	7	6	225	12	6	218	17	6		
1,335	1,483	7	271	17	6	249	7	6	240	7	6	233	12	6	226	17	6	220	2	6		
1,340	1,488	18	273	2	6	250	12	6	241	12	6	234	17	6	228	2	6	221	7	6		
1,345	1,494	9	274	7	6	251	17	6	242	17	6	236	2	6	229	7	6	222	12	6		
1,350	1,500	0	275	12	6	253	2	6	244	2	6	237	7	6	230	12	6	223	17	6		
1,355	1,505	11	276	17	6	254	7	6	245	7	6	238	12	6	231	17	6	225	2	6		
1,360	1,511	2	278	2	6	255	12	6	246	12	6	239	17	6	233	2	6	226	7	6		
1,365	1,516	13	279	7	6	256	17	6	247	17	6	241	2	6	234	7	6	227	12	6		
1,370	1,522	4	280	12	6	258	2	6	249	2	6	242	7	6	235	12	6	228	17	6		
1,375	1,527	15	281	17	6	259	7	6	250	7	6	243	12	6	236	17	6	230	2	6		
1,380	1,533	7	283	2	6	260	12	6	251	12	6	244	17	6	238	2	6	231	7	6		
1,385	1,538	18	284	7	6	261	17	6	252	17	6	246	2	6	239	7	6	232	12	6		
1,390	1,544	9	285	12	6	263	2	6	254	2	6	247	7	6	240	12	6	233	17	6		
1,395	1,550	0	286	17	6	264	7	6	255	7	6	248	12	6	241	17	6	235	2	6		
1,400	1,555	11	288	2	6	265	12	6	256	12	6	249	17	6	243	2	6	236	7	6		
1,405	1,561	2	289	7	6	266	17	6	257	17	6	251	2	6	244	7	6	237	12	6		
1,410	1,566	13	290	12	6	268	2	6	259	2	6	252	7	6	245	12	6	238	17	6		
1,415	1,572	4	291	17	6	269	7	6	260	7	6	253	12	6	246	17	6	240	2	6		
1,420	1,577	15	293	2	6	270	12	6	261	12	6	254	17	6	248	2	6	241	7	6		
1,425	1,583	7	294	7	6	271	17	6	262	17	6	256	2	6	249	7	6	242	12	6		
1,430	1,588	18	295	12	6	273	2	6	264	2	6	257	7	6	250	12	6	243	17	6		
1,435	1,594	9	296	17	6	274	7	6	265	7	6	258	12	6	251	17	6	245	2	6		
1,440	1,600	0	298	2	6	275	12	6	266	12	6	259	17	6	253	2	6	246	7	6		
1,445	1,605	11	299	7	6	276	17	6	267	17	6	261	2	6	254	7	6	247	12	6		
1,450	1,611	2	300	12	6	278	2	6	269	2	6	262	7	6	255	12	6	248	17	6		
1,455	1,616	13	301	17	6	279	7	6	270	7	6	263	12	6	256	17	6	250	2	6		
1,460	1,622	4	303	2	6	280	12	6	271	12	6	264	17	6	258	2	6	251	7	6		
1,465	1,627	15	304	7	6	281	17	6	272	17	6	266	2	6	259	7	6	252	12	6		
1,470	1,633	7	305	12	6	283	2	6	274	2	6	267	7	6	260	12	6	253	17	6		

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals of £5. For intermediate incomes add according to Table III, inserted on page 536.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment.	Wholly Earned.		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
1,475	1,638	18	306	17	6	284	7	6	275	7	6	268	12	6	261	17	6	255	2	6
1,480	1,644	9	308	2	6	285	12	6	276	12	6	269	17	6	263	2	6	256	7	6
1,485	1,650	0	309	7	6	286	17	6	277	17	6	271	2	6	264	7	6	257	12	6
1,490	1,655	11	310	12	6	288	2	6	279	2	6	272	7	6	265	12	6	258	17	6
1,495	1,661	2	311	17	6	289	7	6	280	7	6	273	12	6	266	17	6	260	2	6
1,500	1,666	13	313	2	6	290	12	6	281	12	6	274	17	6	268	2	6	261	7	6
1,505	1,672	4	314	7	6	291	17	6	282	17	6	276	2	6	269	7	6	262	12	6
1,510	1,677	15	315	12	6	293	2	6	284	2	6	277	7	6	270	12	6	263	17	6
1,515	1,683	7	316	17	6	294	7	6	285	7	6	278	12	6	271	17	6	265	2	6
1,520	1,688	18	318	2	6	295	12	6	286	12	6	279	17	6	273	2	6	266	7	6
1,525	1,694	9	319	7	6	296	17	6	287	17	6	281	2	6	274	7	6	267	12	6
1,530	1,700	0	320	12	6	298	2	6	289	2	6	282	7	6	275	12	6	268	17	6
1,535	1,705	11	321	17	6	299	7	6	290	7	6	283	12	6	276	17	6	270	2	6
1,540	1,711	2	323	2	6	300	12	6	291	12	6	284	17	6	278	2	6	271	7	6
1,545	1,716	13	324	7	6	301	17	6	292	17	6	286	2	6	279	7	6	272	12	6
1,550	1,722	4	325	12	6	303	2	6	294	2	6	287	7	6	280	12	6	273	17	6
1,555	1,727	15	326	17	6	304	7	6	295	7	6	288	12	6	281	17	6	275	2	6
1,560	1,733	7	328	2	6	305	12	6	296	12	6	289	17	6	283	2	6	276	7	6
1,565	1,738	18	329	7	6	306	17	6	297	17	6	291	2	6	284	7	6	277	12	6
1,570	1,744	9	330	12	6	308	2	6	299	2	6	292	7	6	285	12	6	278	17	6
1,575	1,750	0	331	17	6	309	7	6	300	7	6	293	12	6	286	17	6	280	2	6
1,580	1,755	11	333	2	6	310	12	6	301	12	6	294	17	6	288	2	6	281	7	6
1,585	1,761	2	334	7	6	311	17	6	302	17	6	296	2	6	289	7	6	282	12	6
1,590	1,766	13	335	12	6	313	2	6	304	2	6	297	7	6	290	12	6	283	17	6
1,595	1,772	4	336	17	6	314	7	6	305	7	6	298	12	6	291	17	6	285	2	6
1,600	1,777	15	338	2	6	315	12	6	306	12	6	299	17	6	293	2	6	286	7	6
1,605	1,783	7	339	7	6	316	17	6	307	17	6	301	2	6	294	7	6	287	12	6
1,610	1,788	18	340	12	6	318	2	6	309	2	6	302	7	6	295	12	6	288	17	6
1,615	1,794	9	341	17	6	319	7	6	310	7	6	303	12	6	296	17	6	290	2	6
1,620	1,800	0	343	2	6	320	12	6	311	12	6	304	17	6	298	2	6	291	7	6
1,625	1,805	11	344	7	6	321	17	6	312	17	6	306	2	6	299	7	6	292	12	6
1,630	1,811	2	345	12	6	323	2	6	314	2	6	307	7	6	300	12	6	293	17	6
1,635	1,816	13	346	17	6	324	7	6	315	7	6	308	12	6	301	17	6	295	2	6
1,640	1,822	4	348	2	6	325	12	6	316	12	6	309	17	6	303	2	6	296	7	6
1,645	1,827	15	349	7	6	326	17	6	317	17	6	311	2	6	304	7	6	297	12	6
1,650	1,833	7	350	12	6	328	2	6	319	2	6	312	7	6	305	12	6	298	17	6
1,655	1,838	18	351	17	6	329	7	6	320	7	6	313	12	6	306	17	6	300	2	6
1,660	1,844	9	353	2	6	330	12	6	321	12	6	314	17	6	308	2	6	301	7	6
1,665	1,850	0	354	7	6	331	17	6	322	17	6	316	2	6	309	7	6	302	12	6
1,670	1,855	11	355	12	6	333	2	6	324	2	6	317	7	6	310	12	6	303	17	6
1,675	1,861	2	356	17	6	334	7	6	325	7	6	318	12	6	311	17	6	305	2	6
1,680	1,866	13	358	2	6	335	12	6	326	12	6	319	17	6	313	2	6	306	7	6
1,685	1,872	4	359	7	6	336	17	6	327	17	6	321	2	6	314	7	6	307	12	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals of £5. For intermediate incomes add according to Table III, inserted on page 536.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Investment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
1,690	1,877	15	360	12	6	338	2	6	329	2	6	322	7	6	315	12	6	308	17	6
1,695	1,883	7	361	17	6	339	7	6	330	7	6	323	12	6	316	17	6	310	2	6
1,700	1,888	18	363	2	6	340	12	6	331	12	6	324	17	6	318	2	6	311	7	6
1,705	1,894	9	364	7	6	341	17	6	332	17	6	326	2	6	319	7	6	312	12	6
1,710	1,900	0	365	12	6	343	2	6	334	2	6	327	7	6	320	12	6	313	17	6
1,715	1,905	11	366	17	6	344	7	6	335	7	6	328	12	6	321	17	6	315	2	6
1,720	1,911	2	368	2	6	345	12	6	336	12	6	329	17	6	323	2	6	316	7	6
1,725	1,916	13	369	7	6	346	17	6	337	17	6	331	2	6	324	7	6	317	12	6
1,730	1,922	4	370	12	6	348	2	6	339	2	6	332	7	6	325	12	6	318	17	6
1,735	1,927	15	371	17	6	349	7	6	340	7	6	333	12	6	326	17	6	320	2	6
1,740	1,933	7	373	2	6	350	12	6	341	12	6	334	17	6	328	2	6	321	7	6
1,745	1,938	18	374	7	6	351	17	6	342	17	6	336	2	6	329	7	6	322	12	6
1,750	1,944	9	375	12	6	353	2	6	344	2	6	337	7	6	330	12	6	323	17	6
1,755	1,950	0	376	17	6	354	7	6	345	7	6	338	12	6	331	17	6	325	2	6
1,760	1,955	11	378	2	6	355	12	6	346	12	6	339	17	6	333	2	6	326	7	6
1,765	1,961	2	379	7	6	356	17	6	347	17	6	341	2	6	334	7	6	327	12	6
1,770	1,966	13	380	12	6	358	2	6	349	2	6	342	7	6	335	12	6	328	17	6
1,775	1,972	4	381	17	6	359	7	6	350	7	6	343	12	6	336	17	6	330	2	6
1,780	1,977	15	383	2	6	360	12	6	351	12	6	344	17	6	338	2	6	331	7	6
1,785	1,983	7	384	7	6	361	17	6	352	17	6	346	2	6	339	7	6	332	12	6
1,790	1,988	18	385	12	6	363	2	6	354	2	6	347	7	6	340	12	6	333	17	6
1,795	1,994	9	386	17	6	364	7	6	355	7	6	348	12	6	341	17	6	335	2	6
1,800	2,000*	0	388	2	6	365	12	6	356	12	6	349	17	6	343	2	6	336	7	6

Table IV

The table continues at intervals of £5, but earned income relief does not increase after £2,000. For intermediate incomes, therefore, now add as follows—

1 2 3 4	1 2 3 4	0 0 0 0	1	5 10 15 0	0 0 0 0	1	5 10 15 0	0 0 0 0	1	5 10 15 0	0 0 0 0	1	5 10 15 0	0 0 0 0	1	5 10 15 0	0 0 0 0	1	5 10 15 0	0 0 0 0
1,805	2,005	0	389	7	6	366	17	6	357	17	6	351	2	6	344	7	6	337	12	6
1,810	2,010	0	390	12	6	368	2	6	359	2	6	352	7	6	345	12	6	338	17	6
1,815	2,015	0	391	17	6	369	7	6	360	7	6	353	12	6	346	17	6	340	2	6
1,820	2,020	0	393	2	6	370	12	6	361	12	6	354	17	6	348	2	6	341	7	6
1,825	2,025	0	394	7	6	371	17	6	362	17	6	356	2	6	349	7	6	342	12	6
1,830	2,030	0	395	12	6	373	2	6	364	2	6	357	7	6	350	12	6	343	17	6
1,835	2,035	0	396	17	6	374	7	6	365	7	6	358	12	6	351	17	6	345	2	6
1,840	2,040	0	398	2	6	375	12	6	366	12	6	359	17	6	353	2	6	346	7	6
1,845	2,045	0	399	7	6	376	17	6	367	17	6	361	2	6	354	7	6	347	12	6
1,850	2,050	0	400	12	6	378	2	6	369	2	6	362	7	6	355	12	6	348	17	6
1,855	2,055	0	401	17	6	379	7	6	370	7	6	363	12	6	356	17	6	350	2	6
1,860	2,060	0	403	2	6	380	12	6	371	12	6	364	17	6	358	2	6	351	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned income by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Parts of a £.—Add as in Table II, page 515.

* Super-tax commences here. See page 101.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		Single.			Married.														
						No Children.			1 Child.			2 Children			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
1,865	2,065	0	404	7	6	381	17	6	372	17	6	366	2	6	359	7	6	352	12	6
1,870	2,070	0	405	12	6	383	2	6	374	2	6	367	7	6	360	12	6	353	17	6
1,875	2,075	0	406	17	6	384	7	6	375	7	6	368	12	6	361	17	6	355	2	6
1,880	2,080	0	408	2	6	385	12	6	376	12	6	369	17	6	363	2	6	356	7	6
1,885	2,085	0	409	7	6	386	17	6	377	17	6	371	2	6	364	7	6	357	12	6
1,890	2,090	0	410	12	6	388	2	6	379	2	6	372	7	6	365	12	6	358	17	6
1,895	2,095	0	411	17	6	389	7	6	380	7	6	373	12	6	366	17	6	360	2	6
1,900	2,100	0	413	2	6	390	12	6	381	12	6	374	17	6	368	2	6	361	7	6
1,905	2,105	0	414	7	6	391	17	6	382	17	6	376	2	6	369	7	6	362	12	6
1,910	2,110	0	415	12	6	393	2	6	384	2	6	377	7	6	370	12	6	363	17	6
1,915	2,115	0	416	17	6	394	7	6	385	7	6	378	12	6	371	17	6	365	2	6
1,920	2,120	0	418	2	6	395	12	6	386	12	6	379	17	6	373	2	6	366	7	6
1,925	2,125	0	419	7	6	396	17	6	387	17	6	381	2	6	374	7	6	367	12	6
1,930	2,130	0	420	12	6	398	2	6	389	2	6	382	7	6	375	12	6	368	17	6
1,935	2,135	0	421	17	6	399	7	6	390	7	6	383	12	6	376	17	6	370	2	6
1,940	2,140	0	423	2	6	400	12	6	391	12	6	384	17	6	378	2	6	371	7	6
1,945	2,145	0	424	7	6	401	17	6	392	17	6	386	2	6	379	7	6	372	12	6
1,950	2,150	0	425	12	6	403	2	6	394	2	6	387	7	6	380	12	6	373	17	6
1,955	2,155	0	426	17	6	404	7	6	395	7	6	388	12	6	381	17	6	375	2	6
1,960	2,160	0	428	2	6	405	12	6	396	12	6	389	17	6	383	2	6	376	7	6
1,965	2,165	0	429	7	6	406	17	6	397	17	6	391	2	6	384	7	6	377	12	6
1,970	2,170	0	430	12	6	408	2	6	399	2	6	392	7	6	385	12	6	378	17	6
1,975	2,175	0	431	17	6	409	7	6	400	7	6	393	12	6	386	17	6	380	2	6
1,980	2,180	0	433	2	6	410	12	6	401	12	6	394	17	6	388	2	6	381	7	6
1,985	2,185	0	434	7	6	411	17	6	402	17	6	396	2	6	389	7	6	382	12	6
1,990	2,190	0	435	12	6	413	2	6	404	2	6	397	7	6	390	12	6	383	17	6
1,995	2,195	0	436	17	6	414	7	6	405	7	6	398	12	6	391	17	6	385	2	6
2,000	2,200	0	438	2	6	415	12	6	406	12	6	399	17	6	393	2	6	386	7	6

Table V

The table now proceeds at intervals of £10. For intermediate incomes add as follows—

1	1	0			5	0			5	0			5	0			5	0			5	0
2	2	0			10	0			10	0			10	0			10	0			10	0
3	3	0			15	0			15	0			15	0			15	0			15	0
4	4	0	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0
5	5	0	1	5	0	1	5	0	1	5	0	1	5	0	1	5	0	1	5	0
6	6	0	1	10	0	1	10	0	1	10	0	1	10	0	1	10	0	1	10	0
7	7	0	1	15	0	1	15	0	1	15	0	1	15	0	1	15	0	1	15	0
8	8	0	2	0	0	2	0	0	2	0	0	2	0	0	2	0	0	2	0	0
9	9	0	2	5	0	2	5	0	2	5	0	2	5	0	2	5	0	2	5	0
2,010	2,210	0	440	12	6	418	2	6	409	2	6	402	7	6	395	12	6	388	17	6
2,020	2,220	0	443	2	6	420	12	6	411	12	6	404	17	6	398	2	6	391	7	6
2,030	2,230	0	445	12	6	423	2	6	414	2	6	407	7	6	400	12	6	393	17	6
2,040	2,240	0	448	2	6	425	12	6	416	12	6	409	17	6	403	2	6	396	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned income by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals. For intermediate incomes add as in Table V, inserted on this page.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment	Wholly Earned		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
2,050	2,250	0	450	12	6	428	2	6	419	2	6	412	7	6	405	12	6	398	17	6
2,060	2,260	0	453	2	6	430	12	6	421	12	6	414	17	6	408	2	6	401	7	6
2,070	2,270	0	455	12	6	433	2	6	424	2	6	417	7	6	410	12	6	403	17	6
2,080	2,280	0	458	2	6	435	12	6	426	12	6	419	17	6	413	2	6	406	7	6
2,090	2,290	0	460	12	6	438	2	6	429	2	6	422	7	6	415	12	6	408	17	6
2,100	2,300	0	463	2	6	440	12	6	431	12	6	424	17	6	418	2	6	411	7	6
2,110	2,310	0	465	12	6	443	2	6	434	2	6	427	7	6	420	12	6	413	17	6
2,120	2,320	0	468	2	6	445	12	6	436	12	6	429	17	6	423	2	6	416	7	6
2,130	2,330	0	470	12	6	448	2	6	439	2	6	432	7	6	425	12	6	418	17	6
2,140	2,340	0	473	2	6	450	12	6	441	12	6	434	17	6	428	2	6	421	7	6
2,150	2,350	0	475	12	6	453	2	6	444	2	6	437	7	6	430	12	6	423	17	6
2,160	2,360	0	478	2	6	455	12	6	446	12	6	439	17	6	433	2	6	426	7	6
2,170	2,370	0	480	12	6	458	2	6	449	2	6	442	7	6	435	12	6	428	17	6
2,180	2,380	0	483	2	6	460	12	6	451	12	6	444	17	6	438	2	6	431	7	6
2,190	2,390	0	485	12	6	463	2	6	454	2	6	447	7	6	440	12	6	433	17	6
2,200	2,400	0	488	2	6	465	12	6	456	12	6	449	17	6	443	2	6	436	7	6
2,210	2,410	0	490	12	6	468	2	6	459	2	6	452	7	6	445	12	6	438	17	6
2,220	2,420	0	493	2	6	470	12	6	461	12	6	454	17	6	448	2	6	441	7	6
2,230	2,430	0	495	12	6	473	2	6	464	2	6	457	7	6	450	12	6	443	17	6
2,240	2,440	0	498	2	6	475	12	6	466	12	6	459	17	6	453	2	6	446	7	6
2,250	2,450	0	500	12	6	478	2	6	469	2	6	462	7	6	455	12	6	448	17	6
2,260	2,460	0	503	2	6	480	12	6	471	12	6	464	17	6	458	2	6	451	7	6
2,270	2,470	0	505	12	6	483	2	6	474	2	6	467	7	6	460	12	6	453	17	6
2,280	2,480	0	508	2	6	485	12	6	476	12	6	469	17	6	463	2	6	456	7	6
2,290	2,490	0	510	12	6	488	2	6	479	2	6	472	7	6	465	12	6	458	17	6
2,300	2,500	0	513	2	6	490	12	6	481	12	6	474	17	6	468	2	6	461	7	6
2,310	2,510	0	515	12	6	493	2	6	484	2	6	477	7	6	470	12	6	463	17	6
2,320	2,520	0	518	2	6	495	12	6	486	12	6	479	17	6	473	2	6	466	7	6
2,330	2,530	0	520	12	6	498	2	6	489	2	6	482	7	6	475	12	6	468	17	6
2,340	2,540	0	523	2	6	500	12	6	491	12	6	484	17	6	478	2	6	471	7	6
2,350	2,550	0	525	12	6	503	2	6	494	2	6	487	7	6	480	12	6	473	17	6
2,360	2,560	0	528	2	6	505	12	6	496	12	6	489	17	6	483	2	6	476	7	6
2,370	2,570	0	530	12	6	508	2	6	499	2	6	492	7	6	485	12	6	478	17	6
2,380	2,580	0	533	2	6	510	12	6	501	12	6	494	17	6	488	2	6	481	7	6
2,390	2,590	0	535	12	6	513	2	6	504	2	6	497	7	6	490	12	6	483	17	6
2,400	2,600	0	538	2	6	515	12	6	506	12	6	499	17	6	493	2	6	486	7	6
2,410	2,610	0	540	12	6	518	2	6	509	2	6	502	7	6	495	12	6	488	17	6
2,420	2,620	0	543	2	6	520	12	6	511	12	6	504	17	6	498	2	6	491	7	6
2,430	2,630	0	545	12	6	523	2	6	514	2	6	507	7	6	500	12	6	493	17	6
2,440	2,640	0	548	2	6	525	12	6	516	12	6	509	17	6	503	2	6	496	7	6
2,450	2,650	0	550	12	6	528	2	6	519	2	6	512	7	6	505	12	6	498	17	6
2,460	2,660	0	553	2	6	530	12	6	521	12	6	514	17	6	508	2	6	501	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned income by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The table continues at intervals of £10. For intermediate incomes add as in Table V, page 541.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment.	Wholly Earned.		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
2,470	2,670	0	555	12	6	533	2	6	524	2	6	517	7	6	510	12	6	503	17	6
2,480	2,680	0	558	2	6	535	12	6	526	12	6	519	17	6	513	2	6	506	7	6
2,490	2,690	0	560	12	6	538	2	6	529	2	6	522	7	6	515	12	6	508	17	6
2,500	2,700	0	563	2	6	540	12	6	531	12	6	524	17	6	518	2	6	511	7	6
2,510	2,710	0	565	12	6	543	2	6	534	2	6	527	7	6	520	12	6	513	17	6
2,520	2,720	0	568	2	6	545	12	6	536	12	6	529	17	6	523	2	6	516	7	6
2,530	2,730	0	570	12	6	548	2	6	539	2	6	532	7	6	525	12	6	518	17	6
2,540	2,740	0	573	2	6	550	12	6	541	12	6	534	17	6	528	2	6	521	7	6
2,550	2,750	0	575	12	6	553	2	6	544	2	6	537	7	6	530	12	6	523	17	6
2,560	2,760	0	578	2	6	555	12	6	546	12	6	539	17	6	533	2	6	526	7	6
2,570	2,770	0	580	12	6	558	2	6	549	2	6	542	7	6	535	12	6	528	17	6
2,580	2,780	0	583	2	6	560	12	6	551	12	6	544	17	6	538	2	6	531	7	6
2,590	2,790	0	585	12	6	563	2	6	554	2	6	547	7	6	540	12	6	533	17	6
2,600	2,800	0	588	2	6	565	12	6	556	12	6	549	17	6	543	2	6	536	7	6
2,610	2,810	0	590	12	6	568	2	6	559	2	6	552	7	6	545	12	6	538	17	6
2,620	2,820	0	593	2	6	570	12	6	561	12	6	554	17	6	548	2	6	541	7	6
2,630	2,830	0	595	12	6	573	2	6	564	2	6	557	7	6	550	12	6	543	17	6
2,640	2,840	0	598	2	6	575	12	6	566	12	6	559	17	6	553	2	6	546	7	6
2,650	2,850	0	600	12	6	578	2	6	569	2	6	562	7	6	555	12	6	548	17	6
2,660	2,860	0	603	2	6	580	12	6	571	12	6	564	17	6	558	2	6	551	7	6
2,670	2,870	0	605	12	6	583	2	6	574	2	6	567	7	6	560	12	6	553	17	6
2,680	2,880	0	608	2	6	585	12	6	576	12	6	569	17	6	563	2	6	556	7	6
2,690	2,890	0	610	12	6	588	2	6	579	2	6	572	7	6	565	12	6	558	17	6
2,700	2,900	0	613	2	6	590	12	6	581	12	6	574	17	6	568	2	6	561	7	6
2,710	2,910	0	615	12	6	593	2	6	584	2	6	577	7	6	570	12	6	563	17	6
2,720	2,920	0	618	2	6	595	12	6	586	12	6	579	17	6	573	2	6	566	7	6
2,730	2,930	0	620	12	6	598	2	6	589	2	6	582	7	6	575	12	6	568	17	6
2,740	2,940	0	623	2	6	600	12	6	591	12	6	584	17	6	578	2	6	571	7	6
2,750	2,950	0	625	12	6	603	2	6	594	2	6	587	7	6	580	12	6	573	17	6
2,760	2,960	0	628	2	6	605	12	6	596	12	6	589	17	6	583	2	6	576	7	6
2,770	2,970	0	630	12	6	608	2	6	599	2	6	592	7	6	585	12	6	578	17	6
2,780	2,980	0	633	2	6	610	12	6	601	12	6	594	17	6	588	2	6	581	7	6
2,790	2,990	0	635	12	6	613	2	6	604	2	6	597	7	6	590	12	6	583	17	6
2,800	3,000	0	638	2	6	615	12	6	606	12	6	599	17	6	593	2	6	586	7	6
2,810	3,010	0	640	12	6	618	2	6	609	2	6	602	7	6	595	12	6	588	17	6
2,820	3,020	0	643	2	6	620	12	6	611	12	6	604	17	6	598	2	6	591	7	6
2,830	3,030	0	645	12	6	623	2	6	614	2	6	607	7	6	600	12	6	593	17	6
2,840	3,040	0	648	2	6	625	12	6	616	12	6	609	17	6	603	2	6	596	7	6
2,850	3,050	0	650	12	6	628	2	6	619	2	6	612	7	6	605	12	6	598	17	6
2,860	3,060	0	653	2	6	630	12	6	62	112	6	614	17	6	608	2	6	601	7	6
2,870	3,070	0	655	12	6	633	2	6	624	2	6	617	7	6	610	12	6	603	17	6
2,880	3,080	0	658	2	6	635	12	6	626	12	6	619	17	6	613	2	6	606	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals of £10. For intermediate incomes add as in Table V, page 541.

Parts of a £.—Add as in Table II, page 515.

INCOME.			TAX.																	
Wholly Invest-ment.	Wholly Earned.		SINGLE.			MARRIED.														
						No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	s.	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
2,890	3,090	0	660	12	6	638	2	6	629	2	6	622	7	6	615	12	6	608	17	6
2,900	3,100	0	663	2	6	640	12	6	631	12	6	624	17	6	618	2	6	611	7	6
2,910	3,110	0	665	12	6	643	2	6	634	2	6	627	7	6	620	12	6	613	17	6
2,920	3,120	0	668	2	6	645	12	6	636	12	6	629	17	6	623	2	6	616	7	6
2,930	3,130	0	670	12	6	648	2	6	639	2	6	632	7	6	625	12	6	618	17	6
2,940	3,140	0	673	2	6	650	12	6	641	12	6	634	17	6	628	2	6	621	7	6
2,950	3,150	0	675	12	6	653	2	6	644	2	6	637	7	6	630	12	6	623	17	6
2,960	3,160	0	678	2	6	655	12	6	646	12	6	639	17	6	633	2	6	626	7	6
2,970	3,170	0	680	12	6	658	2	6	649	2	6	642	7	6	635	12	6	628	17	6
2,980	3,180	0	683	2	6	660	12	6	651	12	6	644	17	6	638	2	6	631	7	6
2,990	3,190	0	685	12	6	663	2	6	654	2	6	647	7	6	640	12	6	633	17	6
3,000	3,200	0	688	2	6	665	12	6	656	12	6	649	17	6	643	2	6	636	7	6

The Table now proceeds at intervals of £100. For every intermediate £1 (Earned or Investment) add **5s.**

3,100	3,300	0	713	2	6	690	12	6	681	12	6	674	17	6	668	2	6	661	7	
3,200	3,400	0	738	2	6	715	12	6	706	12	6	699	17	6	693	2	6	686	7	
3,300	3,500	0	763	2	6	740	12	6	731	12	6	724	17	6	718	2	6	711	7	
3,400	3,600	0	788	2	6	765	12	6	756	12	6	749	17	6	743	2	6	736	7	
3,500	3,700	0	813	2	6	790	12	6	781	12	6	774	17	6	768	2	6	761	7	
3,600	3,800	0	838	2	6	815	12	6	806	12	6	799	17	6	793	2	6	786	7	
3,700	3,900	0	863	2	6	840	12	6	831	12	6	824	17	6	818	2	6	811	7	
3,800	4,000	0	888	2	6	865	12	6	856	12	6	849	17	6	843	2	6	836	7	
3,900	4,100	0	913	2	6	890	12	6	881	12	6	874	17	6	868	2	6	861	7	
4,000	4,200	0	938	2	6	915	12	6	906	12	6	899	17	6	893	2	6	886	7	
4,100	4,300	0	963	2	6	940	12	6	931	12	6	924	17	6	918	2	6	911	7	
4,200	4,400	0	988	2	6	965	12	6	956	12	6	949	17	6	943	2	6	936	7	
4,300	4,500	0	1,013	2	6	990	12	6	981	12	6	974	17	6	968	2	6	961	7	
4,400	4,600	0	1,038	2	6	1,015	12	6	1,006	12	6	999	17	6	993	2	6	986	7	
4,500	4,700	0	1,063	2	6	1,040	12	6	1,031	12	6	1,024	17	6	1,018	2	6	1,011	7	
4,600	4,800	0	1,088	2	6	1,065	12	6	1,056	12	6	1,049	17	6	1,043	2	6	1,036	7	
4,700	4,900	0	1,113	2	6	1,090	12	6	1,081	12	6	1,074	17	6	1,068	2	6	1,061	7	
4,800	5,000	0	1,138	2	6	1,115	12	6	1,106	12	6	1,099	17	6	1,093	2	6	1,086	7	
4,900	5,100	0	1,163	2	6	1,140	12	6	1,131	12	6	1,124	17	6	1,118	2	6	1,111	7	
5,000	5,200	0	1,188	2	6	1,165	12	6	1,156	12	6	1,149	17	6	1,143	2	6	1,136	7	
5,100	5,300	0	1,213	2	6	1,190	12	6	1,181	12	6	1,174	17	6	1,168	2	6	1,161	7	
5,200	5,400	0	1,238	2	6	1,215	12	6	1,206	12	6	1,199	17	6	1,193	2	6	1,186	7	
5,300	5,500	0	1,263	2	6	1,240	12	6	1,231	12	6	1,224	17	6	1,218	2	6	1,211	7	
5,400	5,600	0	1,288	2	6	1,265	12	6	1,256	12	6	1,249	17	6	1,243	2	6	1,236	7	

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—The Table continues at intervals of £10 up to £3,000. For intermediate incomes up to £3,000 add as in Table V, page 541.

Parts of a £.—Add as in Table II, page 515.

INCOME.		TAX.															
Wholly Investment	Wholly Earned	SINGLE.		MARRIED. No Children.		1 Child.		2 Children.		3 Children.		4 Children.					
£	£ s.	£	s. d	£	s. d	£	s. d	£	s. d	£	s. d	£	s. d	£	s. d	£	s. d
5,500	5,700 0	1,313	2 6	1,290	12 6	1,281	12 6	1,274	17 6	1,268	2 6	1,261	7 6				
5,600	5,800 0	1,338	2 6	1,315	12 6	1,306	12 6	1,299	17 6	1,293	2 6	1,286	7 6				
5,700	5,900 0	1,363	2 6	1,340	12 6	1,331	12 6	1,324	17 6	1,318	2 6	1,311	7 6				
5,800	6,000 0	1,388	2 6	1,365	12 6	1,356	12 6	1,349	17 6	1,343	2 6	1,336	7 6				
5,900	6,100 0	1,413	2 6	1,390	12 6	1,381	12 6	1,374	17 6	1,368	2 6	1,361	7 6				
6,000	6,200 0	1,438	2 6	1,415	12 6	1,406	12 6	1,399	17 6	1,393	2 6	1,386	7 6				
6,100	6,300 0	1,463	2 6	1,440	12 6	1,431	12 6	1,424	17 6	1 418	2 6	1,411	7 6				
6,200	6,400 0	1,488	2 6	1,465	12 6	1,456	12 6	1,449	17 6	1,443	2 6	1,436	7 6				
6,300	6,500 0	1,513	2 6	1,490	12 6	1,481	12 6	1,474	17 6	1,468	2 6	1,461	7 6				
6,400	6,600 0	1,538	2 6	1,515	12 6	1,506	12 6	1,499	17 6	1,493	2 6	1,486	7 6				
6,500	6,700 0	1,563	2 6	1,540	12 6	1,531	12 6	1,524	17 6	1,518	2 6	1,511	7 6				
6,600	6,800 0	1,588	2 6	1,565	12 6	1,556	12 6	1,549	17 6	1,543	2 6	1,536	7 6				
6,700	6,900 0	1,613	2 6	1,590	12 6	1,581	12 6	1,574	17 6	1,568	2 6	1,561	7 6				
6,800	7,000 0	1,638	2 6	1,615	12 6	1,606	12 6	1,599	17 6	1,593	2 6	1,586	7 6				
6,900	7,100 0	1,663	2 6	1,640	12 6	1,631	12 6	1,624	17 6	1,618	2 6	1,611	7 6				
7,000	7,200 0	1,688	2 6	1,665	12 6	1,656	12 6	1,649	17 6	1,643	2 6	1,636	7 6				
7,100	7,300 0	1,713	2 6	1,690	12 6	1,681	12 6	1,674	17 6	1,668	2 6	1,661	7 6				
7,200	7,400 0	1,738	2 6	1,715	12 6	1,706	12 6	1,699	17 6	1,693	2 6	1,686	7 6				
7,300	7,500 0	1,763	2 6	1,740	12 6	1,731	12 6	1,724	17 6	1,718	2 6	1,711	7 6				
7,400	7,600 0	1,788	2 6	1,765	12 6	1,756	12 6	1,749	17 6	1,743	2 6	1,736	7 6				
7,500	7,700 0	1,813	2 6	1,790	12 6	1,781	12 6	1,774	17 6	1,768	2 6	1,761	7 6				
7,600	7,800 0	1,838	2 6	1,815	12 6	1,806	12 6	1,799	17 6	1,793	2 6	1,786	7 6				
7,700	7,900 0	1,863	2 6	1,840	12 6	1,831	12 6	1,824	17 6	1,818	2 6	1,811	7 6				
7,800	8,000 0	1,888	2 6	1,865	12 6	1,856	12 6	1,849	17 6	1,843	2 6	1,836	7 6				
7,900	8,100 0	1,913	2 6	1,890	12 6	1,881	12 6	1,874	17 6	1,868	2 6	1,861	7 6				
8,000	8,200 0	1,938	2 6	1,915	12 6	1,906	12 6	1,899	17 6	1,893	2 6	1,886	7 6				
8,100	8,300 0	1,963	2 6	1,940	12 6	1,931	12 6	1,924	17 6	1,918	2 6	1,911	7 6				
8,200	8,400 0	1,988	2 6	1,965	12 6	1,956	12 6	1,949	17 6	1,943	2 6	1,936	7 6				
8,300	8,500 0	2,013	2 6	1,990	12 6	1,981	12 6	1,974	17 6	1,968	2 6	1,961	7 6				
8,400	8,600 0	2,038	2 6	2,015	12 6	2,006	12 6	1,999	17 6	1,993	2 6	1,986	7 6				
8,500	8,700 0	2,063	2 6	2,040	12 6	2,031	12 6	2,024	17 6	2,018	2 6	2,011	7 6				
8,600	8,800 0	2,088	2 6	2,065	12 6	2,056	12 6	2,049	17 6	2,043	2 6	2,036	7 6				
8,700	8,900 0	2,113	2 6	2,090	12 6	2,081	12 6	2,074	17 6	2,068	2 6	2,061	7 6				
8,800	9,000 0	2,138	2 6	2,115	12 6	2,106	12 6	2,099	17 6	2,093	2 6	2,086	7 6				
8,900	9,100 0	2,163	2 6	2,140	12 6	2,131	12 6	2,124	17 6	2,118	2 6	2,111	7 6				
9,000	9,200 0	2,188	2 6	2,165	12 6	2,156	12 6	2,149	17 6	2,143	2 6	2,136	7 6				
9,100	9,300 0	2,213	2 6	2,190	12 6	2,181	12 6	2,174	17 6	2,168	2 6	2,161	7 6				
9,200	9,400 0	2,238	2 6	2,215	12 6	2,206	12 6	2,199	17 6	2,193	2 6	2,186	7 6				
9,300	9,500 0	2,263	2 6	2,240	12 6	2,231	12 6	2,224	17 6	2,218	2 6	2,211	7 6				
9,400	9,600 0	2,288	2 6	2,265	12 6	2,256	12 6	2,249	17 6	2,243	2 6	2,236	7 6				
9,500	9,700 0	2,313	2 6	2,290	12 6	2,281	12 6	2,274	17 6	2,268	2 6	2,261	7 6				
9,600	9,800 0	2,338	2 6	2,315	12 6	2,306	12 6	2,299	17 6	2,293	2 6	2,286	7 6				

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—For every intermediate £1 (Earned or Investment) add **5s.**

Parts of a £.—Add as in Table II, page 515.

INCOME.		TAX.															
Wholly Invest-ment	Wholly Earned	SINGLE.			MARRIED.												
					No Children.			1 Child.			2 Children.			3 Children.			4 Children.		
£	£	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d	£	s.	d
9,700	9,900	2,363	2	6	2,340	12	6	2,331	12	6	2,324	17	6	2,318	2	6	2,311	7	6
9,800	10,000	2,388	2	6	2,365	12	6	2,356	12	6	2,349	17	6	2,343	2	6	2,336	7	6
9,900	10,100	2,413	2	6	2,390	12	6	2,381	12	6	2,374	17	6	2,368	2	6	2,361	7	6
10,000	10,200	2,438	2	6	2,415	12	6	2,406	12	6	2,399	17	6	2,393	2	6	2,386	7	6
20,000	20,200	4,938	2	6	4,915	12	6	4,906	12	6	4,899	17	6	4,893	2	6	4,886	7	6
30,000	30,200	7,438	2	6	7,415	12	6	7,406	12	6	7,399	17	6	7,393	2	6	7,386	7	6
40,000	40,200	9,938	2	6	9,915	12	6	9,906	12	6	9,899	17	6	9,893	2	6	9,886	7	6
50,000	50,200	12,438	2	6	12,415	12	6	12,406	12	6	12,399	17	6	12,393	2	6	12,386	7	6
60,000	60,200	14,938	2	6	14,915	12	6	14,906	12	6	14,899	17	6	14,893	2	6	14,886	7	6
70,000	70,200	17,438	2	6	17,415	12	6	17,406	12	6	17,399	17	6	17,393	2	6	17,386	7	6
80,000	80,200	19,938	2	6	19,915	12	6	19,906	12	6	19,899	17	6	19,893	2	6	19,886	7	6
90,000	90,200	22,438	2	6	22,415	12	6	22,406	12	6	22,399	17	6	22,393	2	6	22,386	7	6
100,000	100,200	24,938	2	6	24,915	12	6	24,906	12	6	24,899	17	6	24,893	2	6	24,886	7	6

Mixed Incomes—partly Earned and partly Investment.—Reduce the Earned portion by one-tenth and treat the remaining income as Investment Income (see Example on page 513). N.B.—The reduction may not exceed £200.

Intervals.—For every intermediate £1 (Earned or Investment) add **5s.**

Parts of a £.—Add as in Table II, page 515.

SUPER-TAX TABLES

NOTES

The rules governing the imposition of Super-Tax are stated in Chapter XIV.

The following Tables show the Super-Tax chargeable on incomes up to £100,000.

It should be remembered that no deductions are allowed in respect of earned income, life assurance premiums or for any other consideration, in computing the income on which Super-Tax is chargeable.

Income.	Super-Tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
2,000		Nil		2,050	3	15	0	2,100	7	10	0	2,150	11	5	0
2,001		1	6	2,051	3	16	6	2,101	7	11	6	2,151	11	6	6
2,002		3	0	2,052	3	18	0	2,102	7	13	0	2,152	11	8	0
2,003		4	6	2,053	3	19	6	2,103	7	14	6	2,153	11	9	6
2,004		6	0	2,054	4	1	0	2,104	7	16	0	2,154	11	11	0
2,005		7	6	2,055	4	2	6	2,105	7	17	6	2,155	11	12	6
2,006		9	0	2,056	4	4	0	2,106	7	19	0	2,156	11	14	0
2,007		10	6	2,057	4	5	6	2,107	8	0	6	2,157	11	15	6
2,008		12	0	2,058	4	7	0	2,108	8	2	0	2,158	11	17	0
2,009		13	6	2,059	4	8	6	2,109	8	3	6	2,159	11	18	6
2,010		15	0	2,060	4	10	0	2,110	8	5	0	2,160	12	0	0
2,011		16	6	2,061	4	11	6	2,111	8	6	6	2,161	12	1	6
2,012		18	0	2,062	4	13	0	2,112	8	8	0	2,162	12	3	0
2,013		19	6	2,063	4	14	6	2,113	8	9	6	2,163	12	4	6
2,014	1	1	0	2,064	4	16	0	2,114	8	11	0	2,164	12	6	0
2,015	1	2	6	2,065	4	17	6	2,115	8	12	6	2,165	12	7	6
2,016	1	4	0	2,066	4	19	0	2,116	8	14	0	2,166	12	9	0
2,017	1	5	6	2,067	5	0	6	2,117	8	15	6	2,167	12	10	6
2,018	1	7	0	2,068	5	2	0	2,118	8	17	0	2,168	12	12	0
2,019	1	8	6	2,069	5	3	6	2,119	8	18	6	2,169	12	13	6
2,020	1	10	0	2,070	5	5	0	2,120	9	0	0	2,170	12	15	0
2,021	1	11	6	2,071	5	6	6	2,121	9	1	6	2,171	12	16	6
2,022	1	13	0	2,072	5	8	0	2,122	9	3	0	2,172	12	18	0
2,023	1	14	6	2,073	5	9	6	2,123	9	4	6	2,173	12	19	6
2,024	1	16	0	2,074	5	11	0	2,124	9	6	0	2,174	13	1	0
2,025	1	17	6	2,075	5	12	6	2,125	9	7	6	2,175	13	2	6
2,026	1	19	0	2,076	5	14	0	2,126	9	9	0	2,176	13	4	0
2,027	2	0	6	2,077	5	15	6	2,127	9	10	6	2,177	13	5	6
2,028	2	2	0	2,078	5	17	0	2,128	9	12	0	2,178	13	7	0
2,029	2	3	6	2,079	5	18	6	2,129	9	13	6	2,179	13	8	6
2,030	2	5	0	2,080	6	0	0	2,130	9	15	0	2,180	13	10	0
2,031	2	6	6	2,081	6	1	6	2,131	9	16	6	2,181	13	11	6
2,032	2	8	0	2,082	6	3	0	2,132	9	18	0	2,182	13	13	0
2,033	2	9	6	2,083	6	4	6	2,133	9	19	6	2,183	13	14	6
2,034	2	11	0	2,084	6	6	0	2,134	10	1	0	2,184	13	16	0
2,035	2	12	6	2,085	6	7	6	2,135	10	2	6	2,185	13	17	6
2,036	2	14	0	2,086	6	9	0	2,136	10	4	0	2,186	13	19	0
2,037	2	15	6	2,087	6	10	6	2,137	10	5	6	2,187	14	0	6
2,038	2	17	0	2,088	6	12	0	2,138	10	7	0	2,188	14	2	0
2,039	2	18	6	2,089	6	13	6	2,139	10	8	6	2,189	14	3	6
2,040	3	0	0	2,090	6	15	0	2,140	10	10	0	2,190	14	5	0
2,041	3	1	6	2,091	6	16	6	2,141	10	11	6	2,191	14	6	6
2,042	3	3	0	2,092	6	18	0	2,142	10	13	0	2,192	14	8	0
2,043	3	4	6	2,093	6	19	6	2,143	10	14	6	2,193	14	9	6
2,044	3	6	0	2,094	7	1	0	2,144	10	16	0	2,194	14	11	0
2,045	3	7	6	2,095	7	2	6	2,145	10	17	6	2,195	14	12	6
2,046	3	9	0	2,096	7	4	0	2,146	10	19	0	2,196	14	14	0
2,047	3	10	6	2,097	7	5	6	2,147	11	0	6	2,197	14	15	6
2,048	3	12	0	2,098	7	7	0	2,148	11	2	0	2,198	14	17	0
2,049	3	13	6	2,099	7	8	6	2,149	11	3	6	2,199	14	18	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
2,200	15	0	0	2,250	18	15	0	2,300	22	10	0	2,350	26	5	0
2,201	15	1	6	2,251	18	16	6	2,301	22	11	6	2,351	26	6	6
2,202	15	3	0	2,252	18	18	0	2,302	22	13	0	2,352	26	8	0
2,203	15	4	6	2,253	18	19	6	2,303	22	14	6	2,353	26	9	6
2,204	15	6	0	2,254	19	1	0	2,304	22	16	0	2,354	26	11	0
2,205	15	7	6	2,255	19	2	6	2,305	22	17	6	2,355	26	12	6
2,206	15	9	0	2,256	19	4	0	2,306	22	19	0	2,356	26	14	0
2,207	15	10	6	2,257	19	5	6	2,307	23	0	6	2,357	26	15	6
2,208	15	12	0	2,258	19	7	0	2,308	23	2	0	2,358	26	17	0
2,209	15	13	6	2,259	19	8	6	2,309	23	3	6	2,359	26	18	6
2,210	15	15	0	2,260	19	10	0	2,310	23	5	0	2,360	27	0	0
2,211	15	16	6	2,261	19	11	6	2,311	23	6	6	2,361	27	1	6
2,212	15	18	0	2,262	19	13	0	2,312	23	8	0	2,362	27	3	0
2,213	15	19	6	2,263	19	14	6	2,313	23	9	6	2,363	27	4	6
2,214	16	1	0	2,264	19	16	0	2,314	23	11	0	2,364	27	6	0
2,215	16	2	6	2,265	19	17	6	2,315	23	12	6	2,365	27	7	6
2,216	16	4	0	2,266	19	19	0	2,316	23	14	0	2,366	27	9	0
2,217	16	5	6	2,267	20	0	6	2,317	23	15	6	2,367	27	10	6
2,218	16	7	0	2,268	20	2	0	2,318	23	17	0	2,368	27	12	0
2,219	16	8	6	2,269	20	3	6	2,319	23	18	6	2,369	27	13	6
2,220	16	10	0	2,270	20	5	0	2,320	24	0	0	2,370	27	15	0
2,221	16	11	6	2,271	20	6	6	2,321	24	1	6	2,371	27	16	6
2,222	16	13	0	2,272	20	8	0	2,322	24	3	0	2,372	27	18	0
2,223	16	14	6	2,273	20	9	6	2,323	24	4	6	2,373	27	19	6
2,224	16	16	0	2,274	20	11	0	2,324	24	6	0	2,374	28	1	0
2,225	16	17	6	2,275	20	12	6	2,325	24	7	6	2,375	28	2	6
2,226	16	19	0	2,276	20	14	0	2,326	24	9	0	2,376	28	4	0
2,227	17	0	6	2,277	20	15	6	2,327	24	10	6	2,377	28	5	6
2,228	17	2	0	2,278	20	17	0	2,328	24	12	0	2,378	28	7	0
2,229	17	3	6	2,279	20	18	6	2,329	24	13	6	2,379	28	8	6
2,230	17	5	0	2,280	21	0	0	2,330	24	15	0	2,380	28	10	0
2,231	17	6	6	2,281	21	1	6	2,331	24	16	6	2,381	28	11	6
2,232	17	8	0	2,282	21	3	0	2,332	24	18	0	2,382	28	13	0
2,233	17	9	6	2,283	21	4	6	2,333	24	19	6	2,383	28	14	6
2,234	17	11	0	2,284	21	6	0	2,334	25	1	0	2,384	28	16	0
2,235	17	12	6	2,285	21	7	6	2,335	25	2	6	2,385	28	17	6
2,236	17	14	0	2,286	21	9	0	2,336	25	4	0	2,386	28	19	0
2,237	17	15	6	2,287	21	10	6	2,337	25	5	6	2,387	29	0	6
2,238	17	17	0	2,288	21	12	0	2,338	25	7	0	2,388	29	2	0
2,239	17	18	6	2,289	21	13	6	2,339	25	8	6	2,389	29	3	6
2,240	18	0	0	2,290	21	15	0	2,340	25	10	0	2,390	29	5	0
2,241	18	1	6	2,291	21	16	6	2,341	25	11	6	2,391	29	6	6
2,242	18	3	0	2,292	21	18	0	2,342	25	13	0	2,392	29	8	0
2,243	18	4	6	2,293	21	19	6	2,343	25	14	6	2,393	29	9	6
2,244	18	6	0	2,294	22	1	0	2,344	25	16	0	2,394	29	11	0
2,245	18	7	6	2,295	22	2	6	2,345	25	17	6	2,395	29	12	6
2,246	18	9	0	2,296	22	4	0	2,346	25	19	0	2,396	29	14	0
2,247	18	10	6	2,297	22	5	6	2,347	26	0	6	2,397	29	15	6
2,248	18	12	0	2,298	22	7	0	2,348	26	2	0	2,398	29	17	0
2,249	18	13	6	2,299	22	8	6	2,349	26	3	6	2,399	29	18	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
2,400	30	0	0	2,450	33	15	0	2,500	37	10	0	2,550	42	10	0
2,401	30	1	6	2,451	33	16	6	2,501	37	12	0	2,551	42	12	0
2,402	30	3	0	2,452	33	18	0	2,502	37	14	0	2,552	42	14	0
2,403	30	4	6	2,453	33	19	6	2,503	37	16	0	2,553	42	16	0
2,404	30	6	0	2,454	34	1	0	2,504	37	18	0	2,554	42	18	0
2,405	30	7	6	2,455	34	2	6	2,505	38	0	0	2,555	43	0	0
2,406	30	9	0	2,456	34	4	0	2,506	38	2	0	2,556	43	2	0
2,407	30	10	6	2,457	34	5	6	2,507	38	4	0	2,557	43	4	0
2,408	30	12	0	2,458	34	7	0	2,508	38	6	0	2,558	43	6	0
2,409	30	13	6	2,459	34	8	6	2,509	38	8	0	2,559	43	8	0
2,410	30	15	0	2,460	34	10	0	2,510	38	10	0	2,560	43	10	0
2,411	30	16	6	2,461	34	11	6	2,511	38	12	0	2,561	43	12	0
2,412	30	18	0	2,462	34	13	0	2,512	38	14	0	2,562	43	14	0
2,413	30	19	6	2,463	34	14	6	2,513	38	16	0	2,563	43	16	0
2,414	31	1	0	2,464	34	16	0	2,514	38	18	0	2,564	43	18	0
2,415	31	2	6	2,465	34	17	6	2,515	39	0	0	2,565	44	0	0
2,416	31	4	0	2,466	34	19	0	2,516	39	2	0	2,566	44	2	0
2,417	31	5	6	2,467	35	0	6	2,517	39	4	0	2,567	44	4	0
2,418	31	7	0	2,468	35	2	0	2,518	39	6	0	2,568	44	6	0
2,419	31	8	6	2,469	35	3	6	2,519	39	8	0	2,569	44	8	0
2,420	31	10	0	2,470	35	5	0	2,520	39	10	0	2,570	44	10	0
2,421	31	11	6	2,471	35	6	6	2,521	39	12	0	2,571	44	12	0
2,422	31	13	0	2,472	35	8	0	2,522	39	14	0	2,572	44	14	0
2,423	31	14	6	2,473	35	9	6	2,523	39	16	0	2,573	44	16	0
2,424	31	16	0	2,474	35	11	0	2,524	39	18	0	2,574	44	18	0
2,425	31	17	6	2,475	35	12	6	2,525	40	0	0	2,575	45	0	0
2,426	31	19	0	2,476	35	14	0	2,526	40	2	0	2,576	45	2	0
2,427	32	0	6	2,477	35	15	6	2,527	40	4	0	2,577	45	4	0
2,428	32	2	0	2,478	35	17	0	2,528	40	6	0	2,578	45	6	0
2,429	32	3	6	2,479	35	18	6	2,529	40	8	0	2,579	45	8	0
2,430	32	5	0	2,480	36	0	0	2,530	40	10	0	2,580	45	10	0
2,431	32	6	6	2,481	36	1	6	2,531	40	12	0	2,581	45	12	0
2,432	32	8	0	2,482	36	3	0	2,532	40	14	0	2,582	45	14	0
2,433	32	9	6	2,483	36	4	6	2,533	40	16	0	2,583	45	16	0
2,434	32	11	0	2,484	36	6	0	2,534	40	18	0	2,584	45	18	0
2,435	32	12	6	2,485	36	7	6	2,535	41	0	0	2,585	46	0	0
2,436	32	14	0	2,486	36	9	0	2,536	41	2	0	2,586	46	2	0
2,437	32	15	6	2,487	36	10	6	2,537	41	4	0	2,587	46	4	0
2,438	32	17	0	2,488	36	12	0	2,538	41	6	0	2,588	46	6	0
2,439	32	18	6	2,489	36	13	6	2,539	41	8	0	2,589	46	8	0
2,440	33	0	0	2,490	36	15	0	2,540	41	10	0	2,590	46	10	0
2,441	33	1	6	2,491	36	16	6	2,541	41	12	0	2,591	46	12	0
2,442	33	3	0	2,492	36	18	0	2,542	41	14	0	2,592	46	14	0
2,443	33	4	6	2,493	36	19	6	2,543	41	16	0	2,593	46	16	0
2,444	33	6	0	2,494	37	1	0	2,544	41	18	0	2,594	46	18	0
2,445	33	7	6	2,495	37	2	6	2,545	42	0	0	2,595	47	0	0
2,446	33	9	0	2,496	37	4	0	2,546	42	2	0	2,596	47	2	0
2,447	33	10	6	2,497	37	5	6	2,547	42	4	0	2,597	47	4	0
2,448	33	12	0	2,498	37	7	0	2,548	42	6	0	2,598	47	6	0
2,449	33	13	6	2,499	37	8	6	2,549	42	8	0	2,599	47	8	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
2,600	47	10	0	2,650	52	10	0	2,700	57	10	0	2,750	62	10	0
2,601	47	12	0	2,651	52	12	0	2,701	57	12	0	2,751	62	12	0
2,602	47	14	0	2,652	52	14	0	2,702	57	14	0	2,752	62	14	0
2,603	47	16	0	2,653	52	16	0	2,703	57	16	0	2,753	62	16	0
2,604	47	18	0	2,654	52	18	0	2,704	57	18	0	2,754	62	18	0
2,605	48	0	0	2,655	53	0	0	2,705	58	0	0	2,755	63	0	0
2,606	48	2	0	2,656	53	2	0	2,706	58	2	0	2,756	63	2	0
2,607	48	4	0	2,657	53	4	0	2,707	58	4	0	2,757	63	4	0
2,608	48	6	0	2,658	53	6	0	2,708	58	6	0	2,758	63	6	0
2,609	48	8	0	2,659	53	8	0	2,709	58	8	0	2,759	63	8	0
2,610	48	10	0	2,660	53	10	0	2,710	58	10	0	2,760	63	10	0
2,611	48	12	0	2,661	53	12	0	2,711	58	12	0	2,761	63	12	0
2,612	48	14	0	2,662	53	14	0	2,712	58	14	0	2,762	63	14	0
2,613	48	16	0	2,663	53	16	0	2,713	58	16	0	2,763	63	16	0
2,614	48	18	0	2,664	53	18	0	2,714	58	18	0	2,764	63	18	0
2,615	49	0	0	2,665	54	0	0	2,715	59	0	0	2,765	64	0	0
2,616	49	2	0	2,666	54	2	0	2,716	59	2	0	2,766	64	2	0
2,617	49	4	0	2,667	54	4	0	2,717	59	4	0	2,767	64	4	0
2,618	49	6	0	2,668	54	6	0	2,718	59	6	0	2,768	64	6	0
2,619	49	8	0	2,669	54	8	0	2,719	59	8	0	2,769	64	8	0
2,620	49	10	0	2,670	54	10	0	2,720	59	10	0	2,770	64	10	0
2,621	49	12	0	2,671	54	12	0	2,721	59	12	0	2,771	64	12	0
2,622	49	14	0	2,672	54	14	0	2,722	59	14	0	2,772	64	14	0
2,623	49	16	0	2,673	54	16	0	2,723	59	16	0	2,773	64	16	0
2,624	49	18	0	2,674	54	18	0	2,724	59	18	0	2,774	64	18	0
2,625	50	0	0	2,675	55	0	0	2,725	60	0	0	2,775	65	0	0
2,626	50	2	0	2,676	55	2	0	2,726	60	2	0	2,776	65	2	0
2,627	50	4	0	2,677	55	4	0	2,727	60	4	0	2,777	65	4	0
2,628	50	6	0	2,678	55	6	0	2,728	60	6	0	2,778	65	6	0
2,629	50	8	0	2,679	55	8	0	2,729	60	8	0	2,779	65	8	0
2,630	50	10	0	2,680	55	10	0	2,730	60	10	0	2,780	65	10	0
2,631	50	12	0	2,681	55	12	0	2,731	60	12	0	2,781	65	12	0
2,632	50	14	0	2,682	55	14	0	2,732	60	14	0	2,782	65	14	0
2,633	50	16	0	2,683	55	16	0	2,733	60	16	0	2,783	65	16	0
2,634	50	18	0	2,684	55	18	0	2,734	60	18	0	2,784	65	18	0
2,635	51	0	0	2,685	56	0	0	2,735	61	0	0	2,785	66	0	0
2,636	51	2	0	2,686	56	2	0	2,736	61	2	0	2,786	66	2	0
2,637	51	4	0	2,687	56	4	0	2,737	61	4	0	2,787	66	4	0
2,638	51	6	0	2,688	56	6	0	2,738	61	6	0	2,788	66	6	0
2,639	51	8	0	2,689	56	8	0	2,739	61	8	0	2,789	66	8	0
2,640	51	10	0	2,690	56	10	0	2,740	61	10	0	2,790	66	10	0
2,641	51	12	0	2,691	56	12	0	2,741	61	12	0	2,791	66	12	0
2,642	51	14	0	2,692	56	14	0	2,742	61	14	0	2,792	66	14	0
2,643	51	16	0	2,693	56	16	0	2,743	61	16	0	2,793	66	16	0
2,644	51	18	0	2,694	56	18	0	2,744	61	18	0	2,794	66	18	0
2,645	52	0	0	2,695	57	0	0	2,745	62	0	0	2,795	67	0	0
2,646	52	2	0	2,696	57	2	0	2,746	62	2	0	2,796	67	2	0
2,647	52	4	0	2,697	57	4	0	2,747	62	4	0	2,797	67	4	0
2,648	52	6	0	2,698	57	6	0	2,748	62	6	0	2,798	67	6	0
2,649	52	8	0	2,699	57	8	0	2,749	62	8	0	2,799	67	8	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
2,800	67	10	0	2,850	72	10	0	2,900	77	10	0	2,950	82	10	0
2,801	67	12	0	2,851	72	12	0	2,901	77	12	0	2,951	82	12	0
2,802	67	14	0	2,852	72	14	0	2,902	77	14	0	2,952	82	14	0
2,803	67	16	0	2,853	72	16	0	2,903	77	16	0	2,953	82	16	0
2,804	67	18	0	2,854	72	18	0	2,904	77	18	0	2,954	82	18	0
2,805	68	0	0	2,855	73	0	0	2,905	78	0	0	2,955	83	0	0
2,806	68	2	0	2,856	73	2	0	2,906	78	2	0	2,956	83	2	0
2,807	68	4	0	2,857	73	4	0	2,907	78	4	0	2,957	83	4	0
2,808	68	6	0	2,858	73	6	0	2,908	78	6	0	2,958	83	6	0
2,809	68	8	0	2,859	73	8	0	2,909	78	8	0	2,959	83	8	0
2,810	68	10	0	2,860	73	10	0	2,910	78	10	0	2,960	83	10	0
2,811	68	12	0	2,861	73	12	0	2,911	78	12	0	2,961	83	12	0
2,812	68	14	0	2,862	73	14	0	2,912	78	14	0	2,962	83	14	0
2,813	68	16	0	2,863	73	16	0	2,913	78	16	0	2,963	83	16	0
2,814	68	18	0	2,864	73	18	0	2,914	78	18	0	2,964	83	18	0
2,815	69	0	0	2,865	74	0	0	2,915	79	0	0	2,965	84	0	0
2,816	69	2	0	2,866	74	2	0	2,916	79	2	0	2,966	84	2	0
2,817	69	4	0	2,867	74	4	0	2,917	79	4	0	2,967	84	4	0
2,818	69	6	0	2,868	74	6	0	2,918	79	6	0	2,968	84	6	0
2,819	69	8	0	2,869	74	8	0	2,919	79	8	0	2,969	84	8	0
2,820	69	10	0	2,870	74	10	0	2,920	79	10	0	2,970	84	10	0
2,821	69	12	0	2,871	74	12	0	2,921	79	12	0	2,971	84	12	0
2,822	69	14	0	2,872	74	14	0	2,922	79	14	0	2,972	84	14	0
2,823	69	16	0	2,873	74	16	0	2,923	79	16	0	2,973	84	16	0
2,824	69	18	0	2,874	74	18	0	2,924	79	18	0	2,974	84	18	0
2,825	70	0	0	2,875	75	0	0	2,925	80	0	0	2,975	85	0	0
2,826	70	2	0	2,876	75	2	0	2,926	80	2	0	2,976	85	2	0
2,827	70	4	0	2,877	75	4	0	2,927	80	4	0	2,977	85	4	0
2,828	70	6	0	2,878	75	6	0	2,928	80	6	0	2,978	85	6	0
2,829	70	8	0	2,879	75	8	0	2,929	80	8	0	2,979	85	8	0
2,830	70	10	0	2,880	75	10	0	2,930	80	10	0	2,980	85	10	0
2,831	70	12	0	2,881	75	12	0	2,931	80	12	0	2,981	85	12	0
2,832	70	14	0	2,882	75	14	0	2,932	80	14	0	2,982	85	14	0
2,833	70	16	0	2,883	75	16	0	2,933	80	16	0	2,983	85	16	0
2,834	70	18	0	2,884	75	18	0	2,934	80	18	0	2,984	85	18	0
2,835	71	0	0	2,885	76	0	0	2,935	81	0	0	2,985	86	0	0
2,836	71	2	0	2,886	76	2	0	2,936	81	2	0	2,986	86	2	0
2,837	71	4	0	2,887	76	4	0	2,937	81	4	0	2,987	86	4	0
2,838	71	6	0	2,888	76	6	0	2,938	81	6	0	2,988	86	6	0
2,839	71	8	0	2,889	76	8	0	2,939	81	8	0	2,989	86	8	0
2,840	71	10	0	2,890	76	10	0	2,940	81	10	0	2,990	86	10	0
2,841	71	12	0	2,891	76	12	0	2,941	81	12	0	2,991	86	12	0
2,842	71	14	0	2,892	76	14	0	2,942	81	14	0	2,992	86	14	0
2,843	71	16	0	2,893	76	16	0	2,943	81	16	0	2,993	86	16	0
2,844	71	18	0	2,894	76	18	0	2,944	81	18	0	2,994	86	18	0
2,845	72	0	0	2,895	77	0	0	2,945	82	0	0	2,995	87	0	0
2,846	72	2	0	2,896	77	2	0	2,946	82	2	0	2,996	87	2	0
2,847	72	4	0	2,897	77	4	0	2,947	82	4	0	2,997	87	4	0
2,848	72	6	0	2,898	77	6	0	2,948	82	6	0	2,998	87	6	0
2,849	72	8	0	2,899	77	8	0	2,949	82	8	0	2,999	87	8	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
3,000	87	10	0	3,050	93	15	0	3,100	100	0	0	3,150	106	5	0
3,001	87	12	6	3,051	93	17	6	3,101	100	2	6	3,151	106	7	6
3,002	87	15	0	3,052	94	0	0	3,102	100	5	0	3,152	106	10	0
3,003	87	17	6	3,053	94	2	6	3,103	100	7	6	3,153	106	12	6
3,004	88	0	0	3,054	94	5	0	3,104	100	10	0	3,154	106	15	0
3,005	88	2	6	3,055	94	7	6	3,105	100	12	6	3,155	106	17	6
3,006	88	5	0	3,056	94	10	0	3,106	100	15	0	3,156	107	0	0
3,007	88	7	6	3,057	94	12	6	3,107	100	17	6	3,157	107	2	6
3,008	88	10	0	3,058	94	15	0	3,108	101	0	0	3,158	107	5	0
3,009	88	12	6	3,059	94	17	6	3,109	101	2	6	3,159	107	7	6
3,010	88	15	0	3,060	95	0	0	3,110	101	5	0	3,160	107	10	0
3,011	88	17	6	3,061	95	2	6	3,111	101	7	6	3,161	107	12	6
3,012	89	0	0	3,062	95	5	0	3,112	101	10	0	3,162	107	15	0
3,013	89	2	6	3,063	95	7	6	3,113	101	12	6	3,163	107	17	6
3,014	89	5	0	3,064	95	10	0	3,114	101	15	0	3,164	108	0	0
3,015	89	7	6	3,065	95	12	6	3,115	101	17	6	3,165	108	2	6
3,016	89	10	0	3,066	95	15	0	3,116	102	0	0	3,166	108	5	0
3,017	89	12	6	3,067	95	17	6	3,117	102	2	6	3,167	108	7	6
3,018	89	15	0	3,068	96	0	0	3,118	102	5	0	3,168	108	10	0
3,019	89	17	6	3,069	96	2	6	3,119	102	7	6	3,169	108	12	6
3,020	90	0	0	3,070	96	5	0	3,120	102	10	0	3,170	108	15	0
3,021	90	2	6	3,071	96	7	6	3,121	102	12	6	3,171	108	17	6
3,022	90	5	0	3,072	96	10	0	3,122	102	15	0	3,172	109	0	0
3,023	90	7	6	3,073	96	12	6	3,123	102	17	6	3,173	109	2	6
3,024	90	10	0	3,074	96	15	0	3,124	103	0	0	3,174	109	5	0
3,025	90	12	6	3,075	96	17	6	3,125	103	2	6	3,175	109	7	6
3,026	90	15	0	3,076	97	0	0	3,126	103	5	0	3,176	109	10	0
3,027	90	17	6	3,077	97	2	6	3,127	103	7	6	3,177	109	12	6
3,028	91	0	0	3,078	97	5	0	3,128	103	10	0	3,178	109	15	0
3,029	91	2	6	3,079	97	7	6	3,129	103	12	6	3,179	109	17	6
3,030	91	5	0	3,080	97	10	0	3,130	103	15	0	3,180	110	0	0
3,031	91	7	6	3,081	97	12	6	3,131	103	17	6	3,181	110	2	6
3,032	91	10	0	3,082	97	15	0	3,132	104	0	0	3,182	110	5	0
3,033	91	12	6	3,083	97	17	6	3,133	104	2	6	3,183	110	7	6
3,034	91	15	0	3,084	98	0	0	3,134	104	5	0	3,184	110	10	0
3,035	91	17	6	3,085	98	2	6	3,135	104	7	6	3,185	110	12	6
3,036	92	0	0	3,086	98	5	0	3,136	104	10	0	3,186	110	15	0
3,037	92	2	6	3,087	98	7	6	3,137	104	12	6	3,187	110	17	6
3,038	92	5	0	3,088	98	10	0	3,138	104	15	0	3,188	111	0	0
3,039	92	7	6	3,089	98	12	6	3,139	104	17	6	3,189	111	2	6
3,040	92	10	0	3,090	98	15	0	3,140	105	0	0	3,190	111	5	0
3,041	92	12	6	3,091	98	17	6	3,141	105	2	6	3,191	111	7	6
3,042	92	15	0	3,092	99	0	0	3,142	105	5	0	3,192	111	10	0
3,043	92	17	6	3,093	99	2	6	3,143	105	7	6	3,193	111	12	6
3,044	93	0	0	3,094	99	5	0	3,144	105	10	0	3,194	111	15	0
3,045	93	2	6	3,095	99	7	6	3,145	105	12	6	3,195	111	17	6
3,046	93	5	0	3,096	99	10	0	3,146	105	15	0	3,196	112	0	0
3,047	93	7	6	3,097	99	12	6	3,147	105	17	6	3,197	112	2	6
3,048	93	10	0	3,098	99	15	0	3,148	106	0	0	3,198	112	5	0
3,049	93	12	6	3,099	99	17	6	3,149	106	2	6	3,199	112	7	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
3,200	112	10	0	3,250	118	15	0	3,300	125	0	0	3,350	131	5	0
3,201	112	12	6	3,251	118	17	6	3,301	125	2	6	3,351	131	7	6
3,202	112	15	0	3,252	119	0	0	3,302	125	5	0	3,352	131	10	0
3,203	112	17	6	3,253	119	2	6	3,303	125	7	6	3,353	131	12	6
3,204	113	0	0	3,254	119	5	0	3,304	125	10	0	3,354	131	15	0
3,205	113	2	6	3,255	119	7	6	3,305	125	12	6	3,355	131	17	6
3,206	113	5	0	3,256	119	10	0	3,306	125	15	0	3,356	132	0	0
3,207	113	7	6	3,257	119	12	6	3,307	125	17	6	3,357	132	2	6
3,208	113	10	0	3,258	119	15	0	3,308	126	0	0	3,358	132	5	0
3,209	113	12	6	3,259	119	17	6	3,309	126	2	6	3,359	132	7	6
3,210	113	15	0	3,260	120	0	0	3,310	126	5	0	3,360	132	10	0
3,211	113	17	6	3,261	120	2	6	3,311	126	7	6	3,361	132	12	6
3,212	114	0	0	3,262	120	5	0	3,312	126	10	0	3,362	132	15	0
3,213	114	2	6	3,263	120	7	6	3,313	126	12	6	3,363	132	17	6
3,214	114	5	0	3,264	120	10	0	3,314	126	15	0	3,364	133	0	0
3,215	114	7	6	3,265	120	12	6	3,315	126	17	6	3,365	133	2	6
3,216	114	10	0	3,266	120	15	0	3,316	127	0	0	3,366	133	5	0
3,217	114	12	6	3,267	120	17	6	3,317	127	2	6	3,367	133	7	6
3,218	114	15	0	3,268	121	0	0	3,318	127	5	0	3,368	133	10	0
3,219	114	17	6	3,269	121	2	6	3,319	127	7	6	3,369	133	12	6
3,220	115	0	0	3,270	121	5	0	3,320	127	10	0	3,370	133	15	0
3,221	115	2	6	3,271	121	7	6	3,321	127	12	6	3,371	133	17	6
3,222	115	5	0	3,272	121	10	0	3,322	127	15	0	3,372	134	0	0
3,223	115	7	6	3,273	121	12	6	3,323	127	17	6	3,373	134	2	6
3,224	115	10	0	3,274	121	15	0	3,324	128	0	0	3,374	134	5	0
3,225	115	12	6	3,275	121	17	6	3,325	128	2	6	3,375	134	7	6
3,226	115	15	0	3,276	122	0	0	3,326	128	5	0	3,376	134	10	0
3,227	115	17	6	3,277	122	2	6	3,327	128	7	6	3,377	134	12	6
3,228	116	0	0	3,278	122	5	0	3,328	128	10	0	3,378	134	15	0
3,229	116	2	6	3,279	122	7	6	3,329	128	12	6	3,379	134	17	6
3,230	116	5	0	3,280	122	10	0	3,330	128	15	0	3,380	135	0	0
3,231	116	7	6	3,281	122	12	6	3,331	128	17	6	3,381	135	2	6
3,232	116	10	0	3,282	122	15	0	3,332	129	0	0	3,382	135	5	0
3,233	116	12	6	3,283	122	17	6	3,333	129	2	6	3,383	135	7	6
3,234	116	15	0	3,284	123	0	0	3,334	129	5	0	3,384	135	10	0
3,235	116	17	6	3,285	123	2	6	3,335	129	7	6	3,385	135	12	6
3,236	117	0	0	3,286	123	5	0	3,336	129	10	0	3,386	135	15	0
3,237	117	2	6	3,287	123	7	6	3,337	129	12	6	3,387	135	17	6
3,238	117	5	0	3,288	123	10	0	3,338	129	15	0	3,388	136	0	0
3,239	117	7	6	3,289	123	12	6	3,339	129	17	6	3,389	136	2	6
3,240	117	10	0	3,290	123	15	0	3,340	130	0	0	3,390	136	5	0
3,241	117	12	6	3,291	123	17	6	3,341	130	2	6	3,391	136	7	6
3,242	117	15	0	3,292	124	0	0	3,342	130	5	0	3,392	136	10	0
3,243	117	17	6	3,293	124	2	6	3,343	130	7	6	3,393	136	12	6
3,244	118	0	0	3,294	124	5	0	3,344	130	10	0	3,394	136	15	0
3,245	118	2	6	3,295	124	7	6	3,345	130	12	6	3,395	136	17	6
3,246	118	5	0	3,296	124	10	0	3,346	130	15	0	3,396	137	0	0
3,247	118	7	6	3,297	124	12	6	3,347	130	17	6	3,397	137	2	6
3,248	118	10	0	3,298	124	15	0	3,348	131	0	0	3,398	137	5	0
3,249	118	12	6	3,299	124	17	6	3,349	131	2	6	3,399	137	7	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
3,400	137	10	0	3,450	143	15	0	3,500	150	0	0	3,550	156	5	0
3,401	137	12	6	3,451	143	17	6	3,501	150	2	6	3,551	156	7	6
3,402	137	15	0	3,452	144	0	0	3,502	150	5	0	3,552	156	10	0
3,403	137	17	6	3,453	144	2	6	3,503	150	7	6	3,553	156	12	6
3,404	138	0	0	3,454	144	5	0	3,504	150	10	0	3,554	156	15	0
3,405	138	2	6	3,455	144	7	6	3,505	150	12	6	3,555	156	17	6
3,406	138	5	0	3,456	144	10	0	3,506	150	15	0	3,556	157	0	0
3,407	138	7	6	3,457	144	12	6	3,507	150	17	6	3,557	157	2	6
3,408	138	10	0	3,458	144	15	0	3,508	151	0	0	3,558	157	5	0
3,409	138	12	6	3,459	144	17	6	3,509	151	2	6	3,559	157	7	6
3,410	138	15	0	3,460	145	0	0	3,510	151	5	0	3,560	157	10	0
3,411	138	17	6	3,461	145	2	6	3,511	151	7	6	3,561	157	12	6
3,412	139	0	0	3,462	145	5	0	3,512	151	10	0	3,562	157	15	0
3,413	139	2	6	3,463	145	7	6	3,513	151	12	6	3,563	157	17	6
3,414	139	5	0	3,464	145	10	0	3,514	151	15	0	3,564	158	0	0
3,415	139	7	6	3,465	145	12	6	3,515	151	17	6	3,565	158	2	6
3,416	139	10	0	3,466	145	15	0	3,516	152	0	0	3,566	158	5	0
3,417	139	12	6	3,467	145	17	6	3,517	152	2	6	3,567	158	7	6
3,418	139	15	0	3,468	146	0	0	3,518	152	5	0	3,568	158	10	0
3,419	139	17	6	3,469	146	2	6	3,519	152	7	6	3,569	158	12	6
3,420	140	0	0	3,470	146	5	0	3,520	152	10	0	3,570	158	15	0
3,421	140	2	6	3,471	146	7	6	3,521	152	12	6	3,571	158	17	6
3,422	140	5	0	3,472	146	10	0	3,522	152	15	0	3,572	159	0	0
3,423	140	7	6	3,473	146	12	6	3,523	152	17	6	3,573	159	2	6
3,424	140	10	0	3,474	146	15	0	3,524	153	0	0	3,574	159	5	0
3,425	140	12	6	3,475	146	17	6	3,525	153	2	6	3,575	159	7	6
3,426	140	15	0	3,476	147	0	0	3,526	153	5	0	3,576	159	10	0
3,427	140	17	6	3,477	147	2	6	3,527	153	7	6	3,577	159	12	6
3,428	141	0	0	3,478	147	5	0	3,528	153	10	0	3,578	159	15	0
3,429	141	2	6	3,479	147	7	6	3,529	153	12	6	3,579	159	17	6
3,430	141	5	0	3,480	147	10	0	3,530	153	15	0	3,580	160	0	0
3,431	141	7	6	3,481	147	12	6	3,531	153	17	6	3,581	160	2	6
3,432	141	10	0	3,482	147	15	0	3,532	154	0	0	3,582	160	5	0
3,433	141	12	6	3,483	147	17	6	3,533	154	2	6	3,583	160	7	6
3,434	141	15	0	3,484	148	0	0	3,534	154	5	0	3,584	160	10	0
3,435	141	17	6	3,485	148	2	6	3,535	154	7	6	3,585	160	12	6
3,436	142	0	0	3,486	148	5	0	3,536	154	10	0	3,586	160	15	0
3,437	142	2	6	3,487	148	7	6	3,537	154	12	6	3,587	160	17	6
3,438	142	5	0	3,488	148	10	0	3,538	154	15	0	3,588	161	0	0
3,439	142	7	6	3,489	148	12	6	3,539	154	17	6	3,589	161	2	6
3,440	142	10	0	3,490	148	15	0	3,540	155	0	0	3,590	161	5	0
3,441	142	12	6	3,491	148	17	6	3,541	155	2	6	3,591	161	7	6
3,442	142	15	0	3,492	149	0	0	3,542	155	5	0	3,592	161	10	0
3,443	142	17	6	3,493	149	2	6	3,543	155	7	6	3,593	161	12	6
3,444	143	0	0	3,494	149	5	0	3,544	155	10	0	3,594	161	15	0
3,445	143	2	6	3,495	149	7	6	3,545	155	12	6	3,595	161	17	6
3,446	143	5	0	3,496	149	10	0	3,546	155	15	0	3,596	162	0	0
3,447	143	7	6	3,497	149	12	6	3,547	155	17	6	3,597	162	2	6
3,448	143	10	0	3,498	149	15	0	3,548	156	0	0	3,598	162	5	0
3,449	143	12	6	3,499	149	17	6	3,549	156	2	6	3,599	162	7	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
3,600	162	10	0	3,650	168	15	0	3,700	175	0	0	3,750	181	5	0
3,601	162	12	6	3,651	168	17	6	3,701	175	2	6	3,751	181	7	6
3,602	162	15	0	3,652	169	0	0	3,702	175	5	0	3,752	181	10	0
3,603	162	17	6	3,653	169	2	6	3,703	175	7	6	3,753	181	12	6
3,604	163	0	0	3,654	169	5	0	3,704	175	10	0	3,754	181	15	0
3,605	163	2	6	3,655	169	7	6	3,705	175	12	6	3,755	181	17	6
3,606	163	5	0	3,656	169	10	0	3,706	175	15	0	3,756	182	0	0
3,607	163	7	6	3,657	169	12	6	3,707	175	17	6	3,757	182	2	6
3,608	163	10	0	3,658	169	15	0	3,708	176	0	0	3,758	182	5	0
3,609	163	12	6	3,659	169	17	6	3,709	176	2	6	3,759	182	7	6
3,610	163	15	0	3,660	170	0	0	3,710	176	5	0	3,760	182	10	0
3,611	163	17	6	3,661	170	2	6	3,711	176	7	6	3,761	182	12	6
3,612	164	0	0	3,662	170	5	0	3,712	176	10	0	3,762	182	15	0
3,613	164	2	6	3,663	170	7	6	3,713	176	12	6	3,763	182	17	6
3,614	164	5	0	3,664	170	10	0	3,714	176	15	0	3,764	183	0	0
3,615	164	7	6	3,665	170	12	6	3,715	176	17	6	3,765	183	2	6
3,616	164	10	0	3,666	170	15	0	3,716	177	0	0	3,766	183	5	0
3,617	164	12	6	3,667	170	17	6	3,717	177	2	6	3,767	183	7	6
3,618	164	15	0	3,668	171	0	0	3,718	177	5	0	3,768	183	10	0
3,619	164	17	6	3,669	171	2	6	3,719	177	7	6	3,769	183	12	6
3,620	165	0	0	3,670	171	5	0	3,720	177	10	0	3,770	183	15	0
3,621	165	2	6	3,671	171	7	6	3,721	177	12	6	3,771	183	17	6
3,622	165	5	0	3,672	171	10	0	3,722	177	15	0	3,772	184	0	0
3,623	165	7	6	3,673	171	12	6	3,723	177	17	6	3,773	184	2	6
3,624	165	10	0	3,674	171	15	0	3,724	178	0	0	3,774	184	5	0
3,625	165	12	6	3,675	171	17	6	3,725	178	2	6	3,775	184	7	6
3,626	165	15	0	3,676	172	0	0	3,726	178	5	0	3,776	184	10	0
3,627	165	17	6	3,677	172	2	6	3,727	178	7	6	3,777	184	12	6
3,628	166	0	0	3,678	172	5	0	3 728	178	10	0	3,778	184	15	0
3,629	166	2	6	3,679	172	7	6	3,729	178	12	6	3,779	184	17	6
3,630	166	5	0	3,680	172	10	0	3,730	178	15	0	3,780	185	0	0
3,631	166	7	6	3,681	172	12	6	3,731	178	17	6	3,781	185	2	6
3,632	166	10	0	3,682	172	15	0	3,732	179	0	0	3,782	185	5	0
3,633	166	12	6	3,683	172	17	6	3,733	179	2	6	3,783	185	7	6
3,634	166	15	0	3,684	173	0	0	3,734	179	5	0	3,784	185	10	0
3,635	166	17	6	3,685	173	2	6	3,735	179	7	6	3,785	185	12	6
3,636	167	0	0	3,686	173	5	0	3,736	179	10	0	3,786	185	15	0
3,637	167	2	6	3,687	173	7	6	3,737	179	12	6	3,787	185	17	6
3,638	167	5	0	3,688	173	10	0	3,738	179	15	0	3,788	186	0	0
3,639	167	7	6	3,689	173	12	6	3,739	179	17	6	3,789	186	2	6
3,640	167	10	0	3,690	173	15	0	3,740	180	0	0	3,790	186	5	0
3,641	167	12	6	3,691	173	17	6	3,741	180	2	6	3,791	186	7	6
3,642	167	15	0	3,692	174	0	0	3,742	180	5	0	3,792	186	10	0
3,643	167	17	6	3,693	174	2	6	3,743	180	7	6	3,793	186	12	6
3,644	168	0	0	3,694	174	5	0	3,744	180	10	0	3,794	186	15	0
3,645	168	2	6	3,695	174	7	6	3,745	180	12	6	3,795	186	17	6
3,646	168	5	0	3,696	174	10	0	3,746	180	15	0	3,796	187	0	0
3,647	168	7	6	3,697	174	12	6	3,747	180	17	6	3,797	187	2	6
3,648	168	10	0	3,698	174	15	0	3,748	180	0	0	3,798	187	5	0
3,649	168	12	6	3,699	174	17	6	3,749	181	2	6	3,799	187	7	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
3,800	187	10	0	3,850	193	15	0	3,900	200	0	0	3,950	206	5	0
3,801	187	12	6	3,851	193	17	6	3,901	200	2	6	3,951	206	7	6
3,802	187	15	0	3,852	194	0	0	3,902	200	5	0	3,952	206	10	0
3,803	187	17	6	3,853	194	2	6	3,903	200	7	6	3,953	206	12	6
3,804	188	0	0	3,854	194	5	0	3,904	200	10	0	3,954	206	15	0
3,805	188	2	6	3,855	194	7	6	3,905	200	12	6	3,955	206	17	6
3,806	188	5	0	3,856	194	10	0	3,906	200	15	0	3,956	207	0	0
3,807	188	7	6	3,857	194	12	6	3,907	200	17	6	3,957	207	2	6
3,808	188	10	0	3,858	194	15	0	3,908	201	0	0	3,958	207	5	0
3,809	188	12	6	3,859	194	17	6	3,909	201	2	6	3,959	207	7	6
3,810	188	15	0	3,860	195	0	0	3,910	201	5	0	3,960	207	10	0
3,811	188	17	6	3,861	195	2	6	3,911	201	7	6	3,961	207	12	6
3,812	189	0	0	3,862	195	5	0	3,912	201	10	0	3,962	207	15	0
3,813	189	2	6	3,863	195	7	6	3,913	201	12	6	3,963	207	17	6
3,814	189	5	0	3,864	195	10	0	3,914	201	15	0	3,964	208	0	0
3,815	189	7	6	3,865	195	12	6	3,915	201	17	6	3,965	208	2	6
3,816	189	10	0	3,866	195	15	0	3,916	202	0	0	3,966	208	5	0
3,817	189	12	6	3,867	195	17	6	3,917	202	2	6	3,967	208	7	6
3,818	189	15	0	3,868	196	0	0	3,918	202	5	0	3,968	208	10	0
3,819	189	17	6	3,869	196	2	6	3,919	202	7	6	3,969	208	12	6
3,820	190	0	0	3,870	196	5	0	3,920	202	10	0	3,970	208	15	0
3,821	190	2	6	3,871	196	7	6	3,921	202	12	6	3,971	208	17	6
3,822	190	5	0	3,872	196	10	0	3,922	202	15	0	3,972	209	0	0
3,823	190	7	6	3,873	196	12	6	3,923	202	17	6	3,973	209	2	6
3,824	190	10	0	3,874	196	15	0	3,924	203	0	0	3,974	209	5	0
3,825	190	12	6	3,875	196	17	6	3,925	203	2	6	3,975	209	7	6
3,826	190	15	0	3,876	197	0	0	3,926	203	5	0	3,976	209	10	0
3,827	190	17	6	3,877	197	2	6	3,927	203	7	6	3,977	209	12	6
3,828	191	0	0	3,878	197	5	0	3,928	203	10	0	3,978	209	15	0
3,829	191	2	6	3,879	197	7	6	3,929	203	12	6	3,979	209	17	6
3,830	191	5	0	3,880	197	10	0	3,930	203	15	0	3,980	210	0	0
3,831	191	7	6	3,881	197	12	6	3,931	203	17	6	3,981	210	2	6
3,832	191	10	0	3,882	197	15	0	3,932	204	0	0	3,982	210	5	0
3,833	191	12	6	3,883	197	17	6	3,933	204	2	6	3,983	210	7	6
3,834	191	15	0	3,884	198	0	0	3,934	204	5	0	3,984	210	10	0
3,835	191	17	6	3,885	198	2	6	3,935	204	7	6	3,985	210	12	6
3,836	192	0	0	3,886	198	5	0	3,936	204	10	0	3,986	210	15	0
3,837	192	2	6	3,887	198	7	6	3,937	204	12	6	3,987	210	17	6
3,838	192	5	0	3,888	198	10	0	3,938	204	15	0	3,988	211	0	0
3,839	192	7	6	3,889	198	12	6	3,939	204	17	6	3,989	211	2	6
3,840	192	10	0	3,890	198	15	0	3,940	205	0	0	3,990	211	5	0
3,841	192	12	6	3,891	198	17	6	3,941	205	2	6	3,991	211	7	6
3,842	192	15	0	3,892	199	0	0	3,942	205	5	0	3,992	211	10	0
3,843	192	17	6	3,893	199	2	6	3,943	205	7	6	3,993	211	12	6
3,844	193	0	0	3,894	199	5	0	3,944	205	10	0	3,994	211	15	0
3,845	193	2	6	3,895	199	7	6	3,945	205	12	6	3,995	211	17	6
3,846	193	5	0	3,896	199	10	0	3,946	205	15	0	3,996	212	0	0
3,847	193	7	6	3,897	199	12	6	3,947	205	17	6	3,997	212	2	6
3,848	193	10	0	3,898	199	15	0	3,948	206	0	0	3,998	212	5	0
3,849	193	12	6	3,899	199	17	6	3,949	206	2	6	3,999	212	7	6

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
4,000	212	10	0	4,050	220	0	0	4,100	227	10	0	4,150	235	0	0
4,001	212	13	0	4,051	220	3	0	4,101	227	13	0	4,151	235	3	0
4,002	212	16	0	4,052	220	6	0	4,102	227	16	0	4,152	235	6	0
4,003	212	19	0	4,053	220	9	0	4,103	227	19	0	4,153	235	9	0
4,004	213	2	0	4,054	220	12	0	4,104	228	2	0	4,154	235	12	0
4,005	213	5	0	4,055	220	15	0	4,105	228	5	0	4,155	235	15	0
4,006	213	8	0	4,056	220	18	0	4,106	228	8	0	4,156	235	18	0
4,007	213	11	0	4,057	221	1	0	4,107	228	11	0	4,157	236	1	0
4,008	213	14	0	4,058	221	4	0	4,108	228	14	0	4,158	236	4	0
4,009	213	17	0	4,059	221	7	0	4,109	228	17	0	4,159	236	7	0
4,010	214	0	0	4,060	221	10	0	4,110	229	0	0	4,160	236	10	0
4,011	214	3	0	4,061	221	13	0	4,111	229	3	0	4,161	236	13	0
4,012	214	6	0	4,062	221	16	0	4,112	229	6	0	4,162	236	16	0
4,013	214	9	0	4,063	221	19	0	4,113	229	9	0	4,163	236	19	0
4,014	214	12	0	4,064	222	2	0	4,114	229	12	0	4,164	237	2	0
4,015	214	15	0	4,065	222	5	0	4,115	229	15	0	4,165	237	5	0
4,016	214	18	0	4,066	222	8	0	4,116	229	18	0	4,166	237	8	0
4,017	215	1	0	4,067	222	11	0	4,117	230	1	0	4,167	237	11	0
4,018	215	4	0	4,068	222	14	0	4,118	230	4	0	4,168	237	14	0
4,019	215	7	0	4,069	222	17	0	4,119	230	7	0	4,169	237	17	0
4,020	215	10	0	4,070	223	0	0	4,120	230	10	0	4,170	238	0	0
4,021	215	13	0	4,071	223	3	0	4,121	230	13	0	4,171	238	3	0
4,022	215	16	0	4,072	223	6	0	4,122	230	16	0	4,172	238	6	0
4,023	215	19	0	4,073	223	9	0	4,123	230	19	0	4,173	238	9	0
4,024	216	2	0	4,074	223	12	0	4,124	231	2	0	4,174	238	12	0
4,025	216	5	0	4,075	223	15	0	4,125	231	5	0	4,175	238	15	0
4,026	216	8	0	4,076	223	18	0	4,126	231	8	0	4,176	238	18	0
4,027	216	11	0	4,077	224	1	0	4,127	231	11	0	4,177	239	1	0
4,028	216	14	0	4,078	224	4	0	4,128	231	14	0	4,178	239	4	0
4,029	216	17	0	4,079	224	7	0	4,129	231	17	0	4,179	239	7	0
4,030	217	0	0	4,080	224	10	0	4,130	232	0	0	4,180	239	10	0
4,031	217	3	0	4,081	224	13	0	4,131	232	3	0	4,181	239	13	0
4,032	217	6	0	4,082	224	16	0	4,132	232	6	0	4,182	239	16	0
4,033	217	9	0	4,083	224	19	0	4,133	232	9	0	4,183	239	19	0
4,034	217	12	0	4,084	225	2	0	4,134	232	12	0	4,184	240	2	0
4,035	217	15	0	4,085	225	5	0	4,135	232	15	0	4,185	240	5	0
4,036	217	18	0	4,086	225	8	0	4,136	232	18	0	4,186	240	8	0
4,037	218	1	0	4,087	225	11	0	4,137	233	1	0	4,187	240	11	0
4,038	218	4	0	4,088	225	14	0	4,138	233	4	0	4,188	240	14	0
4,039	218	7	0	4,089	225	17	0	4,139	233	7	0	4,189	240	17	0
4,040	218	10	0	4,090	226	0	0	4,140	233	10	0	4,190	241	0	0
4,041	218	13	0	4,091	226	3	0	4,141	233	13	0	4,191	241	3	0
4,042	218	16	0	4,092	226	6	0	4,142	233	16	0	4,192	241	6	0
4,043	218	19	0	4,093	226	9	0	4,143	233	19	0	4,193	241	9	0
4,044	219	2	0	4,094	226	12	0	4,144	234	2	0	4,194	241	12	0
4,045	219	5	0	4,095	226	15	0	4,145	234	5	0	4,195	241	15	0
4,046	219	8	0	4,096	226	18	0	4,146	234	8	0	4,196	241	18	0
4,047	219	11	0	4,097	227	1	0	4,147	234	11	0	4,197	242	1	0
4,048	219	14	0	4,098	227	4	0	4,148	234	14	0	4,198	242	4	0
4,049	219	17	0	4,099	227	7	0	4,149	234	17	0	4,199	242	7	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
4,200	242	10	0	4,250	250	0	0	4,300	257	10	0	4,350	265	0	0
4,201	242	13	0	4,251	250	3	0	4,301	257	13	0	4,351	265	3	0
4,202	242	16	0	4,252	250	6	0	4,302	257	16	0	4,352	265	6	0
4,203	242	19	0	4,253	250	9	0	4,303	257	19	0	4,353	265	9	0
4,204	243	2	0	4,254	250	12	0	4,304	258	2	0	4,354	265	12	0
4,205	243	5	0	4,255	250	15	0	4,305	258	5	0	4,355	265	15	0
4,206	243	8	0	4,256	250	18	0	4,306	258	8	0	4,356	265	18	0
4,207	243	11	0	4,257	251	1	0	4,307	258	11	0	4,357	266	1	0
4,208	243	14	0	4,258	251	4	0	4,308	258	14	0	4,358	266	4	0
4,209	243	17	0	4,259	251	7	0	4,309	258	17	0	4,359	266	7	0
4,210	244	0	0	4,260	251	10	0	4,310	259	0	0	4,360	266	10	0
4,211	244	3	0	4,261	251	13	0	4,311	259	3	0	4,361	266	13	0
4,212	244	6	0	4,262	251	16	0	4,312	259	6	0	4,362	266	16	0
4,213	244	9	0	4,263	251	19	0	4,313	259	9	0	4,363	266	19	0
4,214	244	12	0	4,264	252	2	0	4,314	259	12	0	4,364	267	2	0
4,215	244	15	0	4,265	252	5	0	4,315	259	15	0	4,365	267	5	0
4,216	244	18	0	4,266	252	8	0	4,316	259	18	0	4,366	267	8	0
4,217	245	1	0	4,267	252	11	0	4,317	260	1	0	4,367	267	11	0
4,218	245	4	0	4,268	252	14	0	4,318	260	4	0	4,368	267	14	0
4,219	245	7	0	4,269	252	17	0	4,319	260	7	0	4,369	267	17	0
4,220	245	10	0	4,270	253	0	0	4,320	260	10	0	4,370	268	0	0
4,221	245	13	0	4,271	253	3	0	4,321	260	13	0	4,371	268	3	0
4,222	245	16	0	4,272	253	6	0	4,322	260	16	0	4,372	268	6	0
4,223	245	19	0	4,273	253	9	0	4,323	260	19	0	4,373	268	9	0
4,224	246	2	0	4,274	253	12	0	4,324	261	2	0	4,374	268	12	0
4,225	246	5	0	4,275	253	15	0	4,325	261	5	0	4,375	268	15	0
4,226	246	8	0	4,276	253	18	0	4,326	261	8	0	4,376	268	18	0
4,227	246	11	0	4,277	254	1	0	4,327	261	11	0	4,377	269	1	0
4,228	246	14	0	4,278	254	4	0	4,328	261	14	0	4,378	269	4	0
4,229	246	17	0	4,279	254	7	0	4,329	261	17	0	4,379	269	7	0
4,230	247	0	0	4,280	254	10	0	4,330	262	0	0	4,380	269	10	0
4,231	247	3	0	4,281	254	13	0	4,331	262	3	0	4,381	269	13	0
4,232	247	6	0	4,282	254	16	0	4,332	262	6	0	4,382	269	16	0
4,233	247	9	0	4,283	254	19	0	4,333	262	9	0	4,383	269	19	0
4,234	247	12	0	4,284	255	2	0	4,334	262	12	0	4,384	270	2	0
4,235	247	15	0	4,285	255	5	0	4,335	262	15	0	4,385	270	5	0
4,236	247	18	0	4,286	255	8	0	4,336	262	18	0	4,386	270	8	0
4,237	248	1	0	4,287	255	11	0	4,337	263	1	0	4,387	270	11	0
4,238	248	4	0	4,288	255	14	0	4,338	263	4	0	4,388	270	14	0
4,239	248	7	0	4,289	255	17	0	4,339	263	7	0	4,389	270	17	0
4,240	248	10	0	4,290	256	0	0	4,340	263	10	0	4,390	271	0	0
4,241	248	13	0	4,291	256	3	0	4,341	263	13	0	4,391	271	3	0
4,242	248	16	0	4,292	256	6	0	4,342	263	16	0	4,392	271	6	0
4,243	248	19	0	4,293	256	9	0	4,343	263	19	0	4,393	271	9	0
4,244	249	2	0	4,294	256	12	0	4,344	264	2	0	4,394	271	12	0
4,245	249	5	0	4,295	256	15	0	4,345	264	5	0	4,395	271	15	0
4,246	249	8	0	4,296	256	18	0	4,346	264	8	0	4,396	271	18	0
4,247	249	11	0	4,297	257	1	0	4,347	264	11	0	4,397	272	1	0
4,248	249	14	0	4,298	257	4	0	4,348	264	14	0	4,398	272	4	0
4,249	249	17	0	4,299	257	7	0	4,349	264	17	0	4,399	272	7	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
4,400	272	10	0	4,450	280	0	0	4,500	287	10	0	4,550	295	0	0
4,401	272	13	0	4,451	280	3	0	4,501	287	13	0	4,551	295	3	0
4,402	272	16	0	4,452	280	6	0	4,502	287	16	0	4,552	295	6	0
4,403	272	19	0	4,453	280	9	0	4,503	287	19	0	4,553	295	9	0
4,404	273	2	0	4,454	280	12	0	4,504	288	2	0	4,554	295	12	0
4,405	273	5	0	4,455	280	15	0	4,505	288	5	0	4,555	295	15	0
4,406	273	8	0	4,456	280	18	0	4,506	288	8	0	4,556	295	18	0
4,407	273	11	0	4,457	281	1	0	4,507	288	11	0	4,557	296	1	0
4,408	273	14	0	4,458	281	4	0	4,508	288	14	0	4,558	296	4	0
4,409	273	17	0	4,459	281	7	0	4,509	288	17	0	4,559	296	7	0
4,410	274	0	0	4,460	281	10	0	4,510	289	0	0	4,560	296	10	0
4,411	274	3	0	4,461	281	13	0	4,511	289	3	0	4,561	296	13	0
4,412	274	6	0	4,462	281	16	0	4,512	289	6	0	4,562	296	16	0
4,413	274	9	0	4,463	281	19	0	4,513	289	9	0	4,563	296	19	0
4,414	274	12	0	4,464	282	2	0	4,514	289	12	0	4,564	297	2	0
4,415	274	15	0	4,465	282	5	0	4,515	289	15	0	4,565	297	5	0
4,416	274	18	0	4,466	282	8	0	4,516	289	18	0	4,566	297	8	0
4,417	275	1	0	4,467	282	11	0	4,517	290	1	0	4,567	297	11	0
4,418	275	4	0	4,468	282	14	0	4,518	290	4	0	4,568	297	14	0
4,419	275	7	0	4,469	282	17	0	4,519	290	7	0	4,569	297	17	0
4,420	275	10	0	4,470	283	0	0	4,520	290	10	0	4,570	298	0	0
4,421	275	13	0	4,471	283	3	0	4,521	290	13	0	4,571	298	3	0
4,422	275	16	0	4,472	283	6	0	4,522	290	16	0	4,572	298	6	0
4,423	275	19	0	4,473	283	9	0	4,523	290	19	0	4,573	298	9	0
4,424	276	2	0	4,474	283	12	0	4,524	291	2	0	4,574	298	12	0
4,425	276	5	0	4,475	283	15	0	4,525	291	5	0	4,575	298	15	0
4,426	276	8	0	4,476	283	18	0	4,526	291	8	0	4,576	298	18	0
4,427	276	11	0	4,477	284	1	0	4,527	291	11	0	4,577	299	1	0
4,428	276	14	0	4,478	284	4	0	4,528	291	14	0	4,578	299	4	0
4,429	276	17	0	4,479	284	7	0	4,529	291	17	0	4,579	299	7	0
4,430	277	0	0	4,480	284	10	0	4,530	292	0	0	4,580	299	10	0
4,431	277	3	0	4,481	284	13	0	4,531	292	3	0	4,581	299	13	0
4,432	277	6	0	4,482	284	16	0	4,532	292	6	0	4,582	299	16	0
4,433	277	9	0	4,483	284	19	0	4,533	292	9	0	4,583	299	19	0
4,434	277	12	0	4,484	285	2	0	4,534	292	12	0	4,584	300	2	0
4,435	277	15	0	4,485	285	5	0	4,535	292	15	0	4,585	300	5	0
4,436	277	18	0	4,486	285	8	0	4,536	292	18	0	4,586	300	8	0
4,437	278	1	0	4,487	285	11	0	4,537	293	1	0	4,587	300	11	0
4,438	278	4	0	4,488	285	14	0	4,538	293	4	0	4,588	300	14	0
4,439	278	7	0	4,489	285	17	0	4,539	293	7	0	4,589	300	17	0
4,440	278	10	0	4,490	286	0	0	4,540	293	10	0	4,590	301	0	0
4,441	278	13	0	4,491	286	3	0	4,541	293	13	0	4,591	301	3	0
4,442	278	16	0	4,492	286	6	0	4,542	293	16	0	4,592	301	6	0
4,443	278	19	0	4,493	286	9	0	4,543	293	19	0	4,593	301	9	0
4,444	279	2	0	4,494	286	12	0	4,544	294	2	0	4,594	301	12	0
4,445	279	5	0	4,495	286	15	0	4,545	294	5	0	4,595	301	15	0
4,446	279	8	0	4,496	286	18	0	4,546	294	8	0	4,596	301	18	0
4,447	279	11	0	4,497	287	1	0	4,547	294	11	0	4,597	302	1	0
4,448	279	14	0	4,498	287	4	0	4,548	294	14	0	4,598	302	4	0
4,449	279	17	0	4,499	287	7	0	4,549	294	17	0	4,599	302	7	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
4,600	302	10	0	4,650	310	0	0	4,700	317	10	0	4,750	325	0	0
4,601	302	13	0	4,651	310	3	0	4,701	317	13	0	4,751	325	3	0
4,602	302	16	0	4,652	310	6	0	4,702	317	16	0	4,752	325	6	0
4,603	302	19	0	4,653	310	9	0	4,703	317	19	0	4,753	325	9	0
4,604	303	2	0	4,654	310	12	0	4,704	318	2	0	4,754	325	12	0
4,605	303	5	0	4,655	310	15	0	4,705	318	5	0	4,755	325	15	0
4,606	303	8	0	4,656	310	18	0	4,706	318	8	0	4,756	325	18	0
4,607	303	11	0	4,657	311	1	0	4,707	318	11	0	4,757	326	1	0
4,608	303	14	0	4,658	311	4	0	4,708	318	14	0	4,758	326	4	0
4,609	303	17	0	4,659	311	7	0	4,709	318	17	0	4,759	326	7	0
4,610	304	0	0	4,660	311	10	0	4,710	319	0	0	4,760	326	10	0
4,611	304	3	0	4,661	311	13	0	4,711	319	3	0	4,761	326	13	0
4,612	304	6	0	4,662	311	16	0	4,712	319	6	0	4,762	326	16	0
4,613	304	9	0	4,663	311	19	0	4,713	319	9	0	4,763	326	19	0
4,614	304	12	0	4,664	312	2	0	4,714	319	12	0	4,764	327	2	0
4,615	304	15	0	4,665	312	5	0	4,715	319	15	0	4,765	327	5	0
4,616	304	18	0	4,666	312	8	0	4,716	319	18	0	4,766	327	8	0
4,617	305	1	0	4,667	312	11	0	4,717	320	1	0	4,767	327	11	0
4,618	305	4	0	4,668	312	14	0	4,718	320	4	0	4,768	327	14	0
4,619	305	7	0	4,669	312	17	0	4,719	320	7	0	4,769	327	17	0
4,620	305	10	0	4,670	313	0	0	4,720	320	10	0	4,770	328	0	0
4,621	305	13	0	4,671	313	3	0	4,721	320	13	0	4,771	328	3	0
4,622	305	16	0	4,672	313	6	0	4,722	320	16	0	4,772	328	6	0
4,623	305	19	0	4,673	313	9	0	4,723	320	19	0	4,773	328	9	0
4,624	306	2	0	4,674	313	12	0	4,724	321	2	0	4,774	328	12	0
4,625	306	5	0	4,675	313	15	0	4,725	321	5	0	4,775	328	15	0
4,626	306	8	0	4,676	313	18	0	4,726	321	8	0	4,776	328	18	0
4,627	306	11	0	4,677	314	1	0	4,727	321	11	0	4,777	329	1	0
4,628	306	14	0	4,678	314	4	0	4,728	321	14	0	4,778	329	4	0
4,629	306	17	0	4,679	314	7	0	4,729	321	17	0	4,779	329	7	0
4,630	307	0	0	4,680	314	10	0	4,730	322	0	0	4,780	329	10	0
4,631	307	3	0	4,681	314	13	0	4,731	322	3	0	4,781	329	13	0
4,632	307	6	0	4,682	314	16	0	4,732	322	6	0	4,782	329	16	0
4,633	307	9	0	4,683	314	19	0	4,733	322	9	0	4,783	329	19	0
4,634	307	12	0	4,684	315	2	0	4,734	322	12	0	4,784	330	2	0
4,635	307	15	0	4,685	315	5	0	4,735	322	15	0	4,785	330	5	0
4,636	307	18	0	4,686	315	8	0	4,736	322	18	0	4,786	330	8	0
4,637	308	1	0	4,687	315	11	0	4,737	323	1	0	4,787	330	11	0
4,638	308	4	0	4,688	315	14	0	4,738	323	4	0	4,788	330	14	0
4,639	308	7	0	4,689	315	17	0	4,739	323	7	0	4,789	330	17	0
4,640	308	10	0	4,690	316	0	0	4,740	323	10	0	4,790	331	0	0
4,641	308	13	0	4,691	316	3	0	4,741	323	13	0	4,791	331	3	0
4,642	308	16	0	4,692	316	6	0	4,742	323	16	0	4,792	331	6	0
4,643	308	19	0	4,693	316	9	0	4,743	323	19	0	4,793	331	9	0
4,644	309	2	0	4,694	316	12	0	4,744	324	2	0	4,794	331	12	0
4,645	309	5	0	4,695	316	15	0	4,745	324	5	0	4,795	331	15	0
4,646	309	8	0	4,696	316	18	0	4,746	324	8	0	4,796	331	18	0
4,647	309	11	0	4,697	317	1	0	4,747	324	11	0	4,797	332	1	0
4,648	309	14	0	4,698	317	4	0	4,748	324	14	0	4,798	332	4	0
4,649	309	17	0	4,699	317	7	0	4,749	324	17	0	4,799	332	7	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
4,800	332	10	0	4,850	340	0	0	4,900	347	10	0	4,950	355	0	0
4,801	332	13	0	4,851	340	3	0	4,901	347	13	0	4,951	355	3	0
4,802	332	16	0	4,852	340	6	0	4,902	347	16	0	4,952	355	6	0
4,803	332	19	0	4,853	340	9	0	4,903	347	19	0	4,953	355	9	0
4,804	333	2	0	4,854	340	12	0	4,904	348	2	0	4,954	355	12	0
4,805	333	5	0	4,855	340	15	0	4,905	348	5	0	4,955	355	15	0
4,806	333	8	0	4,856	340	18	0	4,906	348	8	0	4,956	355	18	0
4,807	333	11	0	4,857	341	1	0	4,907	348	11	0	4,957	356	1	0
4,808	333	14	0	4,858	341	4	0	4,908	348	14	0	4,958	356	4	0
4,809	333	17	0	4,859	341	7	0	4,909	348	17	0	4,959	356	7	0
4,810	334	0	0	4,860	341	10	0	4,910	349	0	0	4,960	356	10	0
4,811	334	3	0	4,861	341	13	0	4,911	349	3	0	4,961	356	13	0
4,812	334	6	0	4,862	341	16	0	4,912	349	6	0	4,962	356	16	0
4,813	334	9	0	4,863	341	19	0	4,913	349	9	0	4,963	356	19	0
4,814	334	12	0	4,864	342	2	0	4,914	349	12	0	4,964	357	2	0
4,815	334	15	0	4,865	342	5	0	4,915	349	15	0	4,965	357	5	0
4,816	334	18	0	4,866	342	8	0	4,916	349	18	0	4,966	357	8	0
4,817	335	1	0	4,867	342	11	0	4,917	350	1	0	4,967	357	11	0
4,818	335	4	0	4,868	342	14	0	4,918	350	4	0	4,968	357	14	0
4,819	335	7	0	4,869	342	17	0	4,919	350	7	0	4,969	357	17	0
4,820	335	10	0	4,870	343	0	0	4,920	350	10	0	4,970	358	0	0
4,821	335	13	0	4,871	343	3	0	4,921	350	13	0	4,971	358	3	0
4,822	335	16	0	4,872	343	6	0	4,922	350	16	0	4,972	358	6	0
4,823	335	19	0	4,873	343	9	0	4,923	350	19	0	4,973	358	9	0
4,824	336	2	0	4,874	343	12	0	4,924	351	2	0	4,974	358	12	0
4,825	336	5	0	4,875	343	15	0	4,925	351	5	0	4,975	358	15	0
4,826	336	8	0	4,876	343	18	0	4,926	351	8	0	4,976	358	18	0
4,827	336	11	0	4,877	344	1	0	4,927	351	11	0	4,977	359	1	0
4,828	336	14	0	4,878	344	4	0	4,928	351	14	0	4,978	359	4	0
4,829	336	17	0	4,879	344	7	0	4,929	351	17	0	4,979	359	7	0
4,830	337	0	0	4,880	344	10	0	4,930	352	0	0	4,980	359	10	0
4,831	337	3	0	4,881	344	13	0	4,931	352	3	0	4,981	359	13	0
4,832	337	6	0	4,882	344	16	0	4,932	352	6	0	4,982	359	16	0
4,833	337	9	0	4,883	344	19	0	4,933	352	9	0	4,983	359	19	0
4,834	337	12	0	4,884	345	2	0	4,934	352	12	0	4,984	360	2	0
4,835	337	15	0	4,885	345	5	0	4,935	352	15	0	4,985	360	5	0
4,836	337	18	0	4,886	345	8	0	4,936	352	18	0	4,986	360	8	0
4,837	338	1	0	4,887	345	11	0	4,937	353	1	0	4,987	360	11	0
4,838	338	4	0	4,888	345	14	0	4,938	353	4	0	4,988	360	14	0
4,839	338	7	0	4,889	345	17	0	4,939	353	7	0	4,989	360	17	0
4,840	338	10	0	4,890	346	0	0	4,940	353	10	0	4,990	361	0	0
4,841	338	13	0	4,891	346	3	0	4,941	353	13	0	4,991	361	3	0
4,842	338	16	0	4,892	346	6	0	4,942	353	16	0	4,992	361	6	0
4,843	338	19	0	4,893	346	9	0	4,943	353	19	0	4,993	361	9	0
4,844	339	2	0	4,894	346	12	0	4,944	354	2	0	4,994	361	12	0
4,845	339	5	0	4,895	346	15	0	4,945	354	5	0	4,995	361	15	0
4,846	339	8	0	4,896	346	18	0	4,946	354	8	0	4,996	361	18	0
4,847	339	11	0	4,897	347	1	0	4,947	354	11	0	4,997	362	1	0
4,848	339	14	0	4,898	347	4	0	4,948	354	14	0	4,998	362	4	0
4,849	339	17	0	4,899	347	7	0	4,949	354	17	0	4,999	362	7	0

Income.	Super-tax.		
£	£	s.	d.
5,000	362	10	0

Intervals.—The table now proceeds at intervals of £100. For every intermediate £1 add **3s. 6d.**

5,100	380	0	0
5,200	397	10	0
5,300	415	0	0
5,400	432	10	0
5,500	450	0	0
5,600	467	10	0
5,700	485	0	0
5,800	502	10	0
5,900	520	0	0
6,000	537	10	0

Intervals.—The table proceeds at intervals of £100. For every intermediate £1 add **4s.**

6,100	557	10	0
6,200	577	10	0
6,300	597	10	0
6,400	617	10	0
6,500	637	10	0
6,600	657	10	0
6,700	677	10	0
6,800	697	10	0
6,900	717	10	0
7,000	737	10	0

Intervals.—The table proceeds at intervals of £100. For every intermediate £1 add **4s. 6d.**

7,100	760	0	0
7,200	782	10	0
7,300	805	0	0
7,400	827	10	0
7,500	850	0	0
7,600	872	10	0
7,700	895	0	0
7,800	917	10	0
7,900	940	0	0
8,000	962	10	0

Income.	Super-tax.		
£	£	s.	d.

Intervals.—The table proceeds at intervals of £100. For every intermediate £1 add **5s.**

8,100	987	10	0
8,200	1,012	10	0
8,300	1,037	10	0
8,400	1,062	10	0
8,500	1,087	10	0
8,600	1,112	10	0
8,700	1,137	10	0
8,800	1,162	10	0
8,900	1,187	10	0
9,000	1,212	10	0
9,100	1,237	10	0
9,200	1,262	10	0
9,300	1,287	10	0
9,400	1,312	10	0
9,500	1,337	10	0
9,600	1,362	10	0
9,700	1,387	10	0
9,800	1,412	10	0
9,900	1,437	10	0
10,000	1,462	10	0
10,100	1,487	10	0
10,200	1,512	10	0
10,300	1,537	10	0
10,400	1,562	10	0
10,500	1,587	10	0
10,600	1,612	10	0
10,700	1,637	10	0
10,800	1,662	10	0
10,900	1,687	10	0
11,000	1,712	10	0
11,100	1,737	10	0
11,200	1,762	10	0
11,300	1,787	10	0
11,400	1,812	10	0
11,500	1,837	10	0
11,600	1,862	10	0
11,700	1,887	10	0
11,800	1,912	10	0
11,900	1,937	10	0
12,000	1,962	10	0
12,100	1,987	10	0
12,200	2,012	10	0
12,300	2,037	10	0
12,400	2,062	10	0

Income.	Super-tax.		
£	£	s.	d.
12,500	2,087	10	0
12,600	2,112	10	0
12,700	2,137	10	0
12,800	2,162	10	0
12,900	2,187	10	0
13,000	2,212	10	0
13,100	2,237	10	0
13,200	2,262	10	0
13,300	2,287	10	0
13,400	2,312	10	0
13,500	2,337	10	0
13,600	2,362	10	0
13,700	2,387	10	0
13,800	2,412	10	0
13,900	2,437	10	0
14,000	2,462	10	0
14,100	2,487	10	0
14,200	2,512	10	0
14,300	2,537	10	0
14,400	2,562	10	0
14,500	2,587	10	0
14,600	2,612	10	0
14,700	2,637	10	0
14,800	2,662	10	0
14,900	2,687	10	0
15,000	2,712	10	0
15,100	2,737	10	0
15,200	2,762	10	0
15,300	2,787	10	0
15,400	2,812	10	0
15,500	2,837	10	0
15,600	2,862	10	0
15,700	2,887	10	0
15,800	2,912	10	0
15,900	2,937	10	0
16,000	2,962	10	0
16,100	2,987	10	0
16,200	3,012	10	0
16,300	3,037	10	0
16,400	3,062	10	0
16,500	3,087	10	0
16,600	3,112	10	0
16,700	3,137	10	0
16,800	3,162	10	0
16,900	3,187	10	0
17,000	3,212	10	0
17,100	3,237	10	0
17,200	3,262	10	0
17,300	3,287	10	0
17,400	3,312	10	0

Income.	Super-tax.		
£	£	s.	d.
17,500	3,337	10	0
17,600	3,362	10	0
17,700	3,387	10	0
17,800	3,412	10	0
17,900	3,437	10	0
18,000	3,462	10	0
18,100	3,487	10	0
18,200	3,512	10	0
18,300	3,537	10	0
18,400	3,562	10	0
18,500	3,587	10	0
18,600	3,612	10	0
18,700	3,637	10	0
18,800	3,662	10	0
18,900	3,687	10	0
19,000	3,712	10	0
19,100	3,737	10	0
19,200	3,762	10	0
19,300	3,787	10	0
19,400	3,812	10	0
19,500	3,837	10	0
19,600	3,862	10	0
19,700	3,887	10	0
19,800	3,912	10	0
19,900	3,937	10	0
20,000	3,962	10	0

Intervals.—The table proceeds at intervals of £100. For every intermediate £1 add **5s. 6d.**

21,000	4,237	10	0
22,000	4,512	10	0
23,000	4,787	10	0
24,000	5,062	10	0
25,000	5,337	10	0
26,000	5,612	10	0
27,000	5,887	10	0
28,000	6,162	10	0
29,000	6,437	10	0
30,000	6,712	10	0

Intervals.—For every £1 hereafter add **6s.**

31,000	7,012	10	0
32,000	7,312	10	0
33,000	7,612	10	0

Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.			Income.	Super-tax.		
£	£	s.	d.	£	£	s.	d.	£	£	s.	d.	£	£	s.	d.
34,000	7,912	10	0	40,000	9,712	10	0	46,000	11,512	10	0	70,000	18,712	10	0
35,000	8,212	10	0	41,000	10,012	10	0	47,000	11,812	10	0	80,000	21,712	10	0
36,000	8,512	10	0	42,000	10,312	10	0	48,000	12,112	10	0	90,000	24,712	10	0
37,000	8,812	10	0	43,000	10,612	10	0	49,000	12,412	10	0	100,000	27,712	10	0
38,000	9,112	10	0	44,000	10,912	10	0	50,000	12,712	10	0				
39,000	9,412	10	0	45,000	11,212	10	0	60,000	15,712	10	0				

INDEX

A, SCHEDULE, 431, 436
Abatement, 111
——, repayment claims, 84, 97
Abetting false claim, 384
Abroad, 114
——, business premises, 154, 216
——, income left, 266
——, partner resident, 255
——, persons resident, 44, 151, 371
——, remittances from, 264, 411
Accidents, 114
Accountants at appeals, 115
——, charges by, 115
Accounts, 115
——, adjustment of, 12, 14
——, bad debts reserve, 9, 195
——, bankers', 144
——, brewers', 338
——, cash, 13, 15
——, contra, 182
——, cost of preparation, 115
——, date of, 20, 24, 115
——, farmers', 246
——, interest, 9, 325
——, moneylenders', 368
——, specimen, 11–18
——, suspense, 9, 476
——, underwriting, 502
——, where none kept, 16
Accumulating income, minors', 366
—— interest, saving certificates, 505
Additional assessments, Schedule A, 436
Additions, 8
Adjustment of accounts, 8
—— where no accounts, 16
—— at end of year, 23–37, 132
Advertisements, 117
Aged relatives, 207
Agents, 117
—— to foreign traders, 266, 277
Agreement, cancellation of, 180
—— not to deduct tax, 196
Aggregate income, income tax, 111
—— ——, super-tax, 103
Air Force, members of, 505
Allotments, 119
Allowances, depreciation, 211
—— from assessment, 38, 119
——, how claimed on returns, 65
——, personal, 39, 119
——, voluntary, 121
Almshouses, 121, 162
Alterations, 121
Alum mines, 122
Amalgamation, 464
Ambassadors, 269
American Loan Act, interest under, 507
Ancient Order of Foresters, 287
Angling rights, 122
Annual, 122, 394
—— interest, 122, 321
—— payments, 125
—— premiums for life assurance, 49
—— value, England, 127
—— ——, Ireland, 436
—— ——limits for repairs claims, 420
—— ——, manse, 169
—— ——, public-house, 336
—— ——, premises abroad, 154
—— ——, profits having, 394
Annuities, 129
—— charged in account, 11
—— commuted, 50
—— deferred, 206
—— (Government Stock), 506
——, omission to deduct tax, 374
Apartments, 130
Appeals, 131
—— at end of year, 23–37
—— at High Court, 297
——, penalties respecting, 382
——, representatives at, 115
——, super-tax, 103
Apprentices, 133
Appropriate rate, 53, 133
Architect's loss on shares, 453
Arrears (E.P.D.), interest on, 324
—— of tax, 220
—— ——, quarterly assessments, 402
Assessable income, 38, 39, 134
Assessment, notice of, 134
——, place of, 136
——, year of, 19
Assessments, 134
——, allowances from, 38, 119
——, appeals against, 131
——, errors in, 234
——, examples, 21–83
——, farmers', 245
——, firms', 251
——, husband and wife claiming separately, 45
——, procedure, 134
——, property, 77–83
——, quarterly, 55, 401
——, schedules of, 431

Assessors, 137
Assets, 138
——, wasting, 236
Associations, 138
——, trade, 484
Assurance companies, 314
——, life, 48–52
Asylums, 138
Auditing, cost of, 115
Average system, 19, 139
—— ——, example, 21
—— ——, exceptions to, 23
—— ——, profits of new trade, 20
Averages, list of, 139

B, SCHEDULE, 434, 436
Bachelor, personal allowance, 39
Bad debts, 193
—— —— reserve account, 195
Balance of profit, 8–18
Bandsmen, 141
Bank charges, 145
—— interest, 142
—— ——, repayment claims, 99
Bankers, 144
—— subscriptions to war loans, 146
Bankruptcy, 145
Baptist ministers, 168
Barristers at appeals, 115
Barrows, 307
Beneficial occupier, 412
Beneficiaries under trusts, 499
Bequests, " free of tax," 196
——, residuary to charity, 166
Betting profits, 146, 403
Boarders, 146, 382
Boarding-houses, 146
Boilers, 148
—— included in annual value, 128
Bonds, 148
Bonus shares, super-tax, 472
Bonuses to employees, 148
Books, 149
——, clergymen's, 170
Branches, 149
——, foreign concerns, 261
Break-open warrant, 173, 220
Breeding fees, 248
Brewers, 336
Breweries, 149
Bridges, 151
British Government Securities, 505
—— Red Cross Society, 505
—— subjects resident abroad, 44, 151
Brokers' charges, 151
Builders, 151
Building societies, 152
—— ——, Corporation Profits Tax, 187
Burglary, 152
Business, commencement of, 20, 176, 370
——, cessation of, 33, 159
——, extension of, 242
—— premises, 153
—— ——, depreciation of, 216
—— —— situated abroad, 154
——, succession to, 462

C, SCHEDULE, 437
Calls paid in advance, 154
Canals, 155
Capital, 155
——, exhaustion of, 236
——, royalty not, 395
—— expenditure, 9, 204
——, interest on, 327
——, realization of, 473
——, reduction of, 410
—— sum assured at death, 50
Caretaker, 156
Carriages, 157
Cars, 157
Carts, 157
Cash account, 13, 15
—— ——, adjustment of, 12, 14
Casual profits, 157
Cattle dealers, 158
Cemeteries, 158
Cessation of business, 33, 159
Chancery, payments out of, 159
Change of proprietorship, 36, 159, 462
Channel Islands, 44, 160
Chapels, 411
Charges on earned income, 228
—— on income, 161
Charities, 162
——, bequests to, 166
Charity homes, 300
Chauffeurs, 402
Checkweighers, 402
Chefs, 402
Children, allowances for, 41, 166
——, examples of allowance, 41, 47
——, repayment claims, 98
——, war widows' pension for, 505
——, widow's, relative taking charge of, 41
Christmas gifts, 291
Churches, 411
Cinema musicians, 402
—— operators, 402
Civil List pensions, 384

Claims, 168
——, maintenance of property, 419
——, penalties respecting, 383
——, repayment, 96
—— to adjustment, 23–37
Cleaning expenses, 168
Clearing, 388
Clergymen, 168
Clerks, 56, 171, 402
Close of business, 33, 159
Clothes, 171
Clubs, 171
Coal Masters' Parliamentary Bill, 378
Collection of duty, 173
—— of debts, 194
—— of tax by instalments, 312
Collectors, 174
College, 175
Collegiate bodies, 175
Collusion, 383
Colonial income tax relief, 225
—— residents, 100, 175
—— taxes, 276
Combines, 176
Commencing business, 23, 176
—— ——, loss in, 32
Commercial travellers, 176
Commission, 177
——, insurance, 313
Commissioners of Income Tax, 177
—— of Inland Revenue, 178
——, special, 457
Committee, return by, 118
Commutation of assurance premiums, 50
—— of pension, 358
Companies, 178
——, flotation of, 259
——, liquidation of, 349
—— may not claim personal allowances, 113
——, place of residence, 424
——, promotion of, 397
——, returns by, 60
——, secretaries to, 450
——, specimen return of, 76
——, super-tax on, 474
Compensation, 115, 179
—— fund charge, 180
——, workmen's, 512
Congregational ministers, 168
Conservancy Board, 180
Consols, 181, 506
Contango interest, 181
Contingent interest, 182
—— —— in accumulating income, 366
Contra accounts, 182
Contract not to deduct tax, 196
—— as part of trading, 279
Contractors, 182
Contributions to charity, 182
—— to trade unions, 58
Control of foreign concerns, 182
Controlling interest, Corporations Profits Tax, 187
Conversion of Government securities, 505
Co-operative societies, 182
—— ——, Corporation Profits Tax, 187
Copyright, 351
Corporation duty, 447
Corporation Profits Tax, 186
Corporations, 183
Costs, legal, 335
—— of distraint, 221
Counters, 187
County asylums, 138
—— councils, 188
Coupons, 188
Cranes included in annual value, 128
Creditors, 188
Crematorium, 188
Crown employees resident abroad, 44
—— privilege, 189
Cum-dividend, 189
Curates, 190
Curator, return by, 118

D, SCHEDULE, 439
Damage, compensation for, 180
Damages, 190
——, interest not in the nature of, 323
Date of accounts, 20, 24, 116, 191
Daughter, maintenance of infirm parents, 43
Death, 103, 191
——, claim by widow, 509
——, residuary bequest to charity, 166
Debenture holders, foreign, 275
—— ——, trustees for, 500
Debentures, 192
——, Corporation Profits Tax, 187
Debts, 193
——, collection of, 195
——, interest on judgment, 123
—— not in cash account, 15, 16
Deceased persons, 195
Deduction of tax, 195
—— ——, annual payments, 126
—— —— at changing rates, 202
—— ——, directors' fees, 219

Deduction of tax, foreign income, 266
—— ——, interest, 317
—— ——, Government securities, 508
—— —— omitted, 347
—— ——, rent, 412, 417
—— ——, specimen certificates, 88, 89
Deductions, Schedule A, 398, 433
——, —— B, 226, 227
——, —— D, 203
——, —— E, 446
Deductions from profits, 203
—— —— ——, annuity paid less tax, 322
—— —— ——, cost of reducing capital, 410
—— —— ——, directors' dividends, 219
—— —— ——, Excess Profits Duty, 234
—— —— ——, foreign premises, 154
—— —— ——, —— taxes, 308
—— —— ——, loss on shares, 358
—— —— ——, lump sum payment, 219
—— —— ——, patent royalty, 380
—— —— ——, personal allowances, 206
—— —— ——, plantations, 387
—— —— ——, promotion of Bill, 378
—— —— ——, retiring gratuity, 293
—— —— ——, shipbuilding company, 453
—— —— ——, timber company, 481
—— —— ——, trust fund, 473
Deed of partnership, 9
—— of separation, 127
Deer forests, 436
Deferred annuity, 206
—— ——, contract for, 49
Delivery as part of contract, 279
Demise, 251
Demobilization gratuities, 505
Dental mechanics, 402
Dependent relatives, 41–43, 206
—— ——, repayment claims, 99
Deposits, savings bank, 430
——, other banks, 142
Depreciation, 9, 207
—— and obsolescence, 372
——, application to referees, 208
——, buildings, 216
——, Excess Profits Duty allowance, 234
Depreciation, factories, 216
——, Harbour Board, 214
——, horses, 300
——, Munitions Levy allowance, 234
——, plantations, 388
——, printing works, 391
——, ships, 454
Depression of trade, 217, 458
Deputy, 217
Destroyed documents, 217
Development expenses, 217
—— ——, timber estate, 481
Dilapidations, 218
Diminution of profits, 459
Diplomatic privilege, 218
Directories, cost of, 149
Director, 218
——, commission to, 177
——, dividends, 219
——, private secretary of, 391
—— resident abroad, 425
Disability pensions, 504
Discontinuance of business, 33, 159
Discount, 219
—— houses, interest paid to, 220, 327
—— to publicans, 337
Discounting bills, 441
Disponer, income of, 499
——, liability to super-tax, 107, 499
Distraint, 174, 220
——, illegal, 221
——, third party's goods, 222
Dividends, 223
—— from foreign company, 263
——, interim, 328
—— owned by trader, 10
——, production of warrants, 88
Docks, 224
Documents destroyed, 217
Domestic expenses, 224
Domicile, 224
Dominion income, 225
—— —— tax relief, 53, 225
—— ——, repayment claims, 100
Donations, 461
Double assessment, 85
Doubtful debts, 194, 226
Draughtsmen, 56, 402
Drainage, 226
Drains and levels, 227
Drawings, 9, 227
Dredging, 214, 454
Dressmakers, 402
Dues to Conservancy Board; 180

Duty, collection of, 173
——, unpaid, 173
Dwelling-houses, 227

E, Schedule, 443
Early years of business, 20
—— —— ——, loss in, 32
Earned income, 39, 227
—— ——, examples, 39
—— ——, pensions, 384
—— ——, relief, 39, 65, 97, 228
Easter offerings, 230
Ecclesiastical Commissioners, 171
Educational establishment, 230
—— ——, child attending, 41
Embankments, 230
——, specimen allowance, 83
Embezzlement, 231
Emoluments, 231
Employees, 231, 444
——, board and lodging, 146
——, bonus to, 148, 358
——, dismissal of, 191
——, manual, 55
——, residence, 232
——, returns by, 62
——, salary free of tax, 429
——, working abroad, 423
Employers' Liability Act, 114, 232
—— returns of manual labourers, 56
Employments, 444
Empty property, 232
End of business, 33, 159
Engine, 233
—— drivers, 233
—— included in annual value, 128
Entrance fees, 234
Equity of lease, 234
Errors in assessments, 136, 234
Estate, cost of developing, 217
—— maintenance claim, 359
Examples, accounts, 10–17
——, assessments, 21
——, business ceased, 33
——, early years of business, 23
——, loss on trading, 25
——, specific cause of loss, 36
Excess Profits Duty, 234
—— —— ——, interest on, 324
Exchequer Bonds, 506, 507
Exceptional depreciation, 234
Ex-dividend, 189
Executors, 235
—— paying bank interest, 144
Exemption, 235
——, Corporation Profits Tax, 187
——, false claims, 383
Exemption, married women, 303
——, non-residents, 371, 506, 507
——, repayment claim, 84, 97
——, statutory, 235, 250
Exhaustion of capital, 236
Expenses, 203
——, capital, 241
——, clergymen's, 170
——, development, 217
——, legal, 335
——, medical, 363
——, office, 373
——, preliminary, 389
——, personal, 9, 385
Experiments, 485
Exploration, 242
Extension of business, 242
—— of premises, 243

Factories, depreciation of, 216
Fairs, 243
False returns, 383
Family expenses, 244
Fares, 495
Farm, fruit, 288
—— bailiffs, 402
Farmers, 244, 295
Farmhouses, 249
Fees, 249
——, entrance, 234
—— from and to companies, 249
Fencing, 250
Ferries, 250
Finance Act, before passage of, 201
Financial companies, 250
—— year, 19, 512
Fines (demise of property), 251
Fire insurance, 251
Firemen, 402
Firms, assessment of, 251
——, foreign, 259, 277
——, returns, 60, 254
—— ——, specimen, 69, 70
First-fruits, 170
Fisheries, 256
Fishery Board, trade carried on by, 488
Fittings, 256
Fixtures, 128, 256
——, alteration of, 121
—— included in annual value, 128
Flats, 257
Floods, 258
——, penalties for false claims, 383
Flotation of company, 259

Foreign concerns, 259, 261
—— income, 263
—— ——, deduction of tax from, 267
—— —— in hands of trustees, 267
—— ministers, 269
—— non-residents trading with residents, 283
—— partners, 270
—— possessions, 271
—— residents, repayment claims, 100
—— securities, 274
—— ——, held by non-resident, 371
—— share and debenture-holders, 275
—— taxation, 276
—— traders in United Kingdom, 277
—— visitors, 424
Foreigners, 286
—— taking part profits, 270
Foremen, 402
Forest, clearing of, 388
Foresters, Ancient Order of, 287
Form I, 60, 62
—— II, 60, 63
—— 185, 88
—— 185A, 89
—— 189, 91, 93
—— 189A, 92, 94
—— 189C, 95
Forms, specimen returns, *insets*
Free of tax, annuities, 126
—— ——, dividends, 196
—— ——, salaries, 429
Freight charges, 287
Friendly societies, 287
—— ——, premiums paid to, 49
Friends, Society of, School, 399
Fruit farms, 288
Furnished apartments, 146
—— houses, 288
Furniture, 288
Funding loan, 507

GARDENS, 288
——, Schedule B value of, 244
——, market, 362
Gasworks, 290
Gifts, 291
Glasshouses, 291
Golf clubs, 292
Good Templars, 292
Goodwill, written off, 9
—— adjustment, 11
Government securities, 292
—— stocks, 506
Grants, 292
—— to clergymen, 169
Gratuities, 293
——, war, 504
Gratuity to retiring reporter, 293
Graziers, 295, 435
Ground rent, 295
—— —— certificate, 88
Guest, paying, 382

HALF-YEARLY repayment claims, 100
Halls, 296
Harbour, dredging expenditure, 215
Health, persons resident abroad for sake of, 44
High Court Appeals, 297
Hire-purchase, 299
Homes, charity, 300
Horses, 300
——, depreciation of, 301
Hospitals, 302
Hotels, 302
House Duty, 77, 258, 309
Housekeeper, allowance for, 41, 42
Huntsmen, 402
Husband and wife, 303
—— —— allowances, 40
—— —— claiming separately, income tax, 45
—— —— —— ——, super-tax, 103
—— ——, returns by, 304
—— ——, trust income, 499
Husbandry, 244, 435
Hydropathic institutions, 306

IMPLEMENTS, 306
——, depreciation of, 209
——, distraint on, 221
Improvements, 307
Inadmissible deductions from profits, 204
Income, 308
——, assessable, 134
——, charges on, 161
——, statutory, 19
—— Tax, 308
—— —— Acts, 1
—— —— charged in accounts, 9
—— ——, Commissioners of, 177
—— ——, Dominion, 225
—— ——, effect on percentage remuneration, 359
—— ——, foreign, 276
—— —— not trade expense, 308
—— ——, payment of, 382

Income Tax rates, 406
—— —— year, 512
Increase of capital, 156
—— of salary, 309
Indemnity, 309
Industrial and provident societies, 309
Infants, 309
Infirm relatives, 43, 207
Inhabited House Duty, 77, 309
—— —— ——, boarding-houses, 147
—— —— ——, flats, 258
—— —— ——, gardens, 289
—— —— ——, halls, 297
—— —— ——, public school, 399
—— —— ——, rates, 77
—— —— ——, specimen assessments, 78–83
Injuries, damages for, 191
Inland navigations, 155
—— Revenue, 2
Inner reserve funds, 311
Inns, 311
Insane persons, 311
—— ——, returns for, 118
Inscribed stocks, 311
Insolvency, 145
Inspection of premises, 311
Inspector of Taxes, 2
Instalments, annuities paid by, 129
——, tax paid by, 55, 312
Insurance, accident, 114
——, commissions, 313
—— companies, 313, 489
——, examples of allowance, 51
——, fire, 251
——, husband and wife claiming separately, 46, 50
——, life, 48–52, 120
——, lump sum payment, 49
——, marine, 361
—— premiums, 49
——, property, 419
—— rates, 48, 120
—— repayment claims, 84
—— where income slightly below limit, 49, 52
Interest, 317
—— account, 325
——, annual, 122
——, assessment of, 440
——, bank, 142
——, contango, 181
——, contingent, 182
——, debenture, 192
—— for indefinite period, 127
——, mortgage, 369
Interest, omission to deduct tax, 374
—— on arrears of E.P.D., 324
—— on capital, 327
—— on overseers' bank balance, 164
—— on paving charges unpaid, 124
—— on purchase money, 123
—— on reserve funds, 327
—— paid to building society, 152
—— —— to corporation, 162
—— —— to discount houses, 327
—— —— out of profits, 327
—— —— in script, 449
—— —— to members of Stock Exchange, 327
——, savings bank, 430
—— secured on rates, 183
Interim dividends, 328
—— ——, repayment claims, 100
Investment companies, 314, 328, 496
—— income, 39
Investments, depreciation of, 144, 329
——, foreign, 271, 274
——, realization of, 145, 329
Ireland, appeals in, 132
——, Schedule B, 436
Ironworks, 330
Isle of Man, residents in, 44, 331
Issue of debentures, 151

Ladders, 152
Lakes, 331
Landlord, 332
Land tax, 86, 331
—— —— allowance from assessments, 78–83
Lands, 334
——, assessments on, 77–83
——, maintenance claim, 419
——, repayment claims, 87
Law books, 149
Lawyers' charges, 335. (*See* Barristers and Solicitors.)
Lease, 335, 390
—— as evidence, 335
——, equity of, 234
——, premium for, 390
——, production of, 335
——, —— refused, 383
Legal expenses, 335
—— income, 112
—— —— and losses, 355
Letting furnished house, 288
Liability to tax, 392
Libraries, 336
Licensed premises, 336
Licences, 348

Life assurance, allowance for, 48–52
—— —— companies, 313
—— —— premiums, 49
—— —— rates, 48
—— —— repayment claims, 84, 98
—— —— where income slightly below limit, 49, 52
Liftmen, 402
Lighting, 349
Liquidation, 349
Literary copyright, 351
—— institutions, 352
Loans, British Government, 506, 507
—— lost, 353, 369. (*See under* Interest and Bank Interest.)
—— repaid, adjustment, 14
Local authorities, 183
—— loans, 506
—— rates, 405
Locum tenens, 354
Lodgers, 354
London, property maintenance claims, 420
——, Schedule A regulations, 354
Loss, 355
——, adjustment in case of, 25, 356
——, farming, 245
—— in new business, 32
—— in other concerns, 357
—— of capital, 453
—— of office, 180
——, repayment claims, 100
——, specific cause of, 35, 458
Lump sum payment, 358
Lunatics, returns for, 118

MACHINERY, 358
——, depreciation of, 207
—— included in annual value, 128
——, obsolete, 372
——, renewal of, 411
Maintenance of family, 358
—— of property, 99, 359
—— of relatives, allowances for, 41–43
Management expenses, investment and assurance companies, 315
—— ——, property, 419
—— ——, foreign concern, 260, 424
Manager, 359
—— employed abroad, 114, 443
——, remuneration of, 359
Manor dues, 360
Manse, allowance for, 169
Manual labour, quarterly assessments, 55, 360, 402
Manufactures, 361
Marginal relief, life assurance, 49, 52
Marine insurance, 361
Mariners, 362
Market gardens, 362
Markets, 362
Marriage allowance, 39, 119
Married women, 363
—— ——, returns for and by, 66
—— ——, separate assessment, income tax, 45, 304
—— ——, —— ——, super-tax, 103
Meals, 363
Medical expenses, 363
Merchant seamen, 362
Milk dealers, 363
Mills, depreciation of, 216
Mines, 364
——, exhaustion of, 236
Ministers, 168
——, foreign, 269
Minors, 366
——, accumulating income, 99, 366
——, assessment of jockey, 368
——, repayment claims, 99
——, returns for, 118
Misfeasance, 350
Missionaries, 44, 368
Mistakes in assessments, 136
Moneylenders, 368
Monthly payments, 127
Mortgage interest, 369
Motor cars, 157
Movable subjects included in lease, 256
Municipal corporations, 183
—— gasworks, 290
—— undertakings, 183
Musicians, 141, 402
Munitions Levy, 234
Mutual associations, 370
—— benefit, 165

NATIONAL Health Insurance, 58
—— War Bonds, 506, 507
New business, 23, 370
—— ——, loss in, 32
—— ——, proprietor of, 160
—— ——, partner in, 379
Non-residents, 114, 371
——, allowances permitted, 44, 371
——, British subjects, 151
——, missionaries, 368
——, repayment claims, 100
—— trading with residents, 283
Notices of assessment, 134
——, service of, 372

Nurseries, 372

Obsolescence, 214, 234, 372
——, Munitions Levy, 234
Obstruction, penalty for, 383
Occupier, 373
——, beneficial, 412
Offences, 382
Office expenses, 373
Officials, 373
Old age, dependent relatives incapacitated by, 43
Omnibus drivers and conductors, 402
Omission to deduct tax, 374
Options, 376
Order of St. John of Jerusalem, 505
Owners, 332
Oyster beds, 377

Paper profits, 377
Parent, allowance for maintenance of, 43
Parliamentary Bill, promotion of, 378
Participating policies, 489
Partners, 251, 379
——, assessment of, 251
——, foreign, 270
——, retired, 62, 254
——, returns by sleeping, 457
——, specimen returns, 70–76
Partnership, deed of, 9
——, returns by, 62, 254
——, specimen returns, 70–76
Patents, 379
Paving charges, 381
—— ——, interest on unpaid, 124
Paying guests, 382
Payment of tax, 382
—— —— by instalments, 312
—— part of trading, 268
Penalties, income tax, 382
——, super-tax, 103, 107
Pensions, 384
——, commuted, 358
——, war, 504
Perjury, 384
Permanent loan, Corporation Profits Tax, 187
Perquisites, 385
Personal allowances, 39, 111, 119
—— ——, repayment claims, 84
—— expenses, 9, 204, 385
Petition of right, 305
Pickaxes, 156
Pit-sinking, 364
Place of assessment, 136
Plant, 148
——, builder's, 152
——, obsolete, 372
Plantations, 386
Police, clothing allowance, 171
Ponds, 331
Poor rates, 405
Porters, 402
Possessions, foreign, 271
Post Office Savings Bank interest, 436
Potential occupier, 412
Preference dividends, Dominion taxes, 226
—— shares, Corporation Profits Tax, 187
Preliminary expenses, 9, 389
Premises abroad, 216
——, annual value of, 127
——, business, 154
——, extension of, 243
——, inspection of, 311
——, licensed, 336
——, repairs, 416
Premiums, fire insurance, 251
—— for lease, 390
——, life assurance, 48
Presentation fees, 170
Prime cost, machinery, 212
Printers, 390
Private companies, super-tax, 107, 474
—— expenses, 385
—— secretary, 391
Procurations, 170
Professions, 391
Profit and Loss Account, 10
—— —— ——, adjustment of, 12
——, 392
——, casual, 157
——, foreigners taking share, 270
——, paper, 377
—— promotion, 397
——, racing, 146
——, stud, 403
—— to have pecuniary value, 179
——, underwriting, 501
——, what constitutes, 392
Promotion of company, 397
—— of Parliamentary Bill, 378
Property, 397
——, annual value of, 127
——, assessments on, 77–83, 397
——, empty, 232
——, maintenance of, 359, 419
——, repayment claims, 99

Proprietorship, change in, 159, 462
Prospecting, cost of, 398
Prospectus, 397
Protection (Trade) Association, 484
Protectorate, British, individuals in service of, 44
Provident funds, 487
Provisional deduction of tax, 202
Public bodies, 398
—— houses; 149, 336
—— notices, 428
—— schools, 398, 447
—— Trustee and super-tax returns, 470

Quarries, 400
Quarterly assessments, 55, 401
Queen Anne's Bounty, 171
—— Mary's Auxiliary Army Corps, 505
Quinquennial year, additional assessment, 436
Quit rent, 403

Racing profits, 403
Rack rent, 403
Railway Bill, promotion of, 378
Railways, 404
Rateable value, 127
Rates, local, 405
—— of income and super-tax from 920–21; 43, 101
—— —— —— prior to 1920–21, 406
—— of deductions from charges, 202
—— of life assurance allowance, 48
Realization of assets (liquidation), 350
—— of investments, 329
Receipts, tax, 409
——, ——, production of (repayment), 86
Recurring expenses, 387
Red Cross, 505
Redemption of Land Tax, 332
Reduction of capital, 410
Referees, Board of, 208
Relatives, allowance for maintenance of, 41–43
——, dependent, 206
Relief, earned incomes, 39, 227
——, Dominion Income Tax, 225
——, life assurance, where income slightly below limit, 49, 52
Religious bodies, 411
Remittances from abroad, 264, 411
——, foreign trustees, 267
Removals, cost of, 411
——, leaving tax due, 174
Remuneration of directors, Corporation Profits Tax, 187
——, persons paying foreign dividends, 266
Renewals, 411
Rent, 411
—— allowance to clergy, 169
—— charges, 413
——, deduction of tax, 195
——, licensed premises, 337
——, omission to deduct tax, 375
——, quit, 403
—— -free residence, 413
Repairs, allowances for, 416
——, property maintenance claims, 419
——, Schedule D, 420
——, specimen allowances, 77–83
——, trade premises, 153
Repayment claims, 84
——, abatement, 97
——, bank interest, 99
——, bearer securities, 90
——, by whom made, 96
——, children, 98
——, dependent relatives, 99
——, dividends, 88, 98
——, Dominion Income Tax, 100
——, earned income, 97
——, exemption, 97
——, foreign income, 91
——, ground rents, interest, etc., 87
——, half-yearly claims, 100
——, inscribed stocks, 90
——, joint holdings, 94
——, lands and houses, 87
——, life assurance, 98
——, loss, 100
——, minors, 99
——, personal allowances, 84
——, production of receipts, 86
——, property maintenance, 99, 419
——, quarterly assessments, 59
——, residents abroad, 100
——, specimen claims, 96
——, Stock Exchange interest, 99
——, time limit, 84
——, trades, professions, 87
——, unearned income, 98
—— vouchers in other name, 96
——, wife, 99
Replacement of implements, 307
Research expenses, 485
Reserves, 421
——, bad debts, 195

Reserve funds, 9
——, interest on, 327
——, super-tax, 474
Residence, 421
——, foreign concern, 259
—— on trade premises, 146
——, rent free, 413
Residents abroad, 44, 114, 151
——, Colonial, 175
——, Dominion, 225
Returns, 60, 428
—— by secretaries, 450
——, by whom made, 60, 428
——, employees', 65, 428
——, firms', 62, 254, 428
——, manual labourers', 56
——, notice requiring, 134
—— of total income, 60, 63
——, penalties respecting, 383
——, service of forms, 135
——, specimen, income and super-tax, 67–76, 104
Revocable trusts, super-tax liability, 107, 499
Risks, unexpired, 502
River bed, Schedules A and D, 181
Road-making, 429
Ropes, 152
Royalties, 429
——, mining, 365
—— not capital, 395
——, patent, 380
Rubber plantations, 386
Rules for adjustment, 8

Sailors, 362
Salaries, free of tax, 429
Salary to proprietor, 9
—— to wife, 9
——, increase of, 309
Salt works, 429
Savings Bank interest, 430
—— Certificates, 505
Scaffolding, 430
Schedule A, 431, 436
——, deductions allowed, 334, 398
——, Scotland, 449
——, specimen assessments, 78–83
Schedule B, 434, 436
——, gardens, 289
——, Ireland, 436
——, specimen assessments, 78–83
Schedule C, 437
Schedule D, 439
——, adjustment of accounts, 8
——, average system, 19, 140
Schedule D, exceptions to, 23
——, business ceased, 33
——, deductions under, 9, 203
——, loss, 25, 32
——, new business, 20, 23
——, repairs under, 420
——, returns, 60
——, specific cause of loss, 35
——, specimen returns and assessments, 67
Schedule E, 443
Schedules of assessment, general note, 431
Scholarships, 41, 230
Schools, 398, 447
——, allowance for children attending, 41
Scientific institutions, 447
Scotland, deduction of tax, Schedule A, 449
——, annual value, repair claims, 420
Scrip, interest paid in, 449
Seamen, 362
Season ticket, 498
Sea walls, 230
Secretaries, 450
——, private, 391
Securities, 452
——, foreign, 274
——, Government, 506, 507
Security by collectors, 174
Separate assessment, husband and wife, income tax, 45
—— ——, super-tax, 103
Separation, payment under deed of, 127
Servants, 452
Service flats, 258
Sewers, 198, 452
Shaft-sinking, 364
Shafting, included in annual value, 128
Shareholders, 453
——, foreign, 275
Shares, foreign, 271
——, issue of, 151
——, loss on, 453
——, option on, 376
——, profit taken in, 377
—— purchased for trade purposes, 453
Sheep-rearing, 435
Shipbuilding company deepening channel, 453
Ships, 454
——, depreciation of, 212
Ships' mates, 402

Shooting rights, 460
—— season, residence during, 423
Shop fittings, 256
—— managers, 402
—— -walkers, 402
Sick clubs, 171
Singers, foreign, 421
Sinking funds, 456
Slate clubs, 171
Sleeping partner, 254, 457
Small holdings, 157
Societies, 171, 457
——, co-operative, 182
——, contributions to, 461
——, industrial and provident, 309
——, returns for, 66
Sole trader, return of, 67
Soldiers, sailors, etc., 504
Solicitors at appeals, 115
Solicitor-Trustee, fee free of tax, 197
Solitary transactions, 491
Special Commissioners, 457
—— ——, appeals to, 105
—— ——, assessments by, 457
—— ——, powers of, 106
Specific cause of loss, 35, 458
—— mines, 364
Specimen accounts, 11–17
—— repayment claims, 96
—— returns, income tax, 67–76
—— ——, super-tax, 104
Sperm, 377
Spinster, 39, 460
——, returns by, 66
Sporting rights, 460
—— ——, specimen assessment, 79
Sports clubs and grounds, 460
Stallion fees, 248
Stamps, collection of tax by, 460
Stationery, 460
Statutory allowances, 119
—— income, 19, 112
Steamers, 454
——, tramp, 455
Stock, 460
Stockbrokers, 461
Stock, cum- and ex-dividend, 189
—— Exchange fees, 461
—— ——, interest to members of, 99, 327
——, foreign, 271, 274
Stocktaking, 460
Stud profits, 403
Subscriptions, 461
Substitute, 462
Sub-tenants, 10
Succession to a business, 462
Superannuation, 466
—— funds, 467
Super-tax, 101, 469
——, completion of return, 105
——, —— ——, specimen, 104
——, legal decisions, 469
——, liability of private companies, 107, 474
——, payments free of, 470
—— procedure, 103
—— rates (from 1920–21), 101
—— —— (prior to 1920–21), 408
—— returns, 103
——, separate assessment, 103, 470
Supplementary schemes (unemployment), 502
Supply Association, 476
Sureties, 476
Suspense accounts, 9, 476
Syndicates, 476
Synodals, 170

Tailors' cutters, 402
Tax-compounded securities, 506, 507
Tax, deduction of, 195, 506, 507
——, dividends free of, 89
——, Dominion, 225
——, omission to deduct, 374
——, payment of, 382
—— receipts, 409
——, salaries free of, 429
Taxable income, 38, 39
Taxation, foreign, 276
Teacher, servant employed by, 452
Tempest, loss by, 258
Templars, good, 292
Temporary buildings, 389
Tenants, 480
—— of trader, 10, 13, 15
Tenements, 130, 257
Tenths, 170
Theatre attendants, 402
—— musicians, 402
Theft, 152
Tickets, 156
Ticket collectors, 402
Tied houses, 149, 338
Timber company, capital expenditure, 481
—— lands, 512
Time limit for repayment claims, 84, 86
Tithes, 483
——, special assessments, 77–83
Tolls, 484

Trade, 393, 457, 487
—— association, 454
—— by syndicate, 491
—— depression, 217, 486
——, issue of prospectus for loan, 145
—— unions, 486
—— ——, contributions to, 58
Tram drivers and conductors, 402
Tramp steamer, 455
Transactions uncompleted, 397
Transfer fees, 250
Travelling expenses, 219, 498
Treasury Bills, 441, 507
—— ——, discounting, 220
Treating, 176
Trust, charitable, 163
——, liability to super-tax, 498
Trustees, 117
—— abroad, remitting income, 267
—— deducting tax, 195
——, earned income relief, 229
—— for debenture-holders, 500
—— for minors, 366
—— paying interest as damages, 323
——, remittances from foreign, 267
——, returns by, 118
Tutors, returns by, 118
Typewriters, 501
Typists, 56, 402

Uncertain annual value, 157, 393
Uncompleted transactions, 397
Underwriters, marine, 361
Underwriting, cost of, 501
—— profits, 501
Undistributed income of companies, 107, 474
Unearned income, relief, 98
Unemployment premiums, 502
—— insurance, 58
—— schemes, 502
Unexpired risks, 502
Unfinished contracts, 151
—— transactions, 397
Unfurnished apartments, 130
Universities, 503
Unmarried individual, personal allowance, 39
—— ——, relative having charge of brothers or sisters, 42, 207
Unregistered friendly society, 287
Untaxed interest, 440
—— ——, converted Government securities, 508
Use, plant and machinery not in, 209
Utensils, 209, 306

Valuation of property on appeal, 131
Van travellers, 402
Victory Bonds, 507
Vocations, 503
Void property, 232
Voluntary allowances, 121
Voting disqualification, 173
Vouchers, production of (repayment), 86

Wage-earners employed manually, 55
Wages, 503
Waggons, 299
War insurance premiums, 51
—— Loan, banks' subscriptions to, 146
—— ——, proceeds of sale, 199
—— pensions, 504
——, profits reduced by, 459
—— Savings Certificates, 505
—— securities, tax deducted from, 506
—— widows, pension allowance for children, 505
Warehousemen, 402
Wasting assets, 236
Water, assessment of charity supplying, 433
Waterworks, 509
Wear and tear, 207
Weeding, 388
Weekly payments, 127
—— wage-earners, 401
Wesleyan ministers, 168
Widow, 509
——, children of, 206
——, personal allowance, 39
——, relative taking charge of children, 41, 206
—— resident abroad, 44
——, return by, 66
——, war, 505
Widower, children of, 206
——, personal allowance, 39
——, relative taking charge of children, 41, 206
Wife, allowance for, 40, 511
——, earned income of, 40
——, separate assessment, income tax, 45
——, —— ——, super-tax, 103
——, repayment claims, 99. (*See under* Husband and Wife, 303.)
Winding-up of company, 349
Window dressers, 402

Windows, 511
Women, married, 303
Women's Royal Air Force, 505
—— —— Naval Service, 505
Woodlands, 512
Workmen, compensation to, 512
——, quarterly assessments, 401
Workmen's Compensation Act, 114
Wounds pensions, 504
Written-down value, 213

Year, financial, 512
—— of assessment, 19
Yearly interest, 122

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